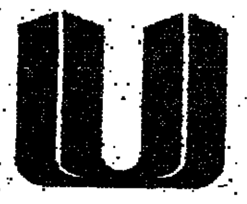

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Unilever says brand wars pose no threat
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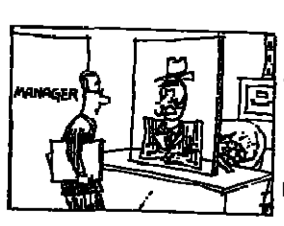

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY, JULY 26 1993 — D8523A

Ceasefire ignored as Serbs attack UN base in Sarajevo

Serb forces fired artillery rounds into a French-staffed UN base in Sarajevo hours after the latest Bosnian ceasefire came into effect. There were no casualties. Bosnian radio said at least 27 people died and 60 were wounded in a Serb tank and artillery attack on the north-eastern town of Brcko. Bosnian president Alija Izetbegovic has said he will boycott peace talks in Geneva if the Serbs maintain their offensive. Page 2

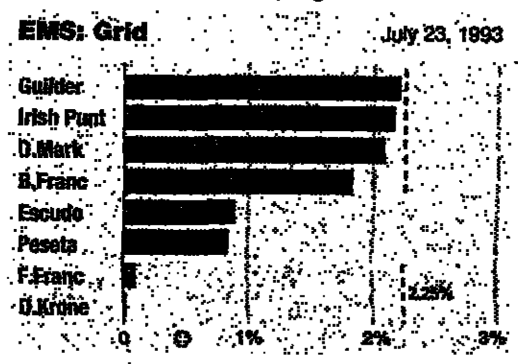
Wasted milk subsidies cost $6bn: The European Community has wasted an estimated Ecu5.38bn ($6.1bn) in unnecessary subsidies because Italy, Greece and Spain have failed to enforce milk production quotas. Page 18

Israel attacks guerrillas: Israeli fighter aircraft and helicopters attacked guerrilla strongholds across Lebanon. Five Syrian soldiers and eight Lebanese were killed. Page 2

Shake-up expected at IBM: International Business Machines' new chairman and chief executive, Lou Gerstner, is likely to announce a reshaping of the struggling computer giant's board of directors tomorrow. Page 19

Big VW shareholder backs López: Gerhard Schröder, prime minister of Lower Saxony, which holds a 20 per cent stake in Volkswagen, restated support for José Ignacio López de Arriortúa, the company's production director, despite allegations of industrial spying against him. Page 18

European Monetary System: The markets will be monitoring several currencies closely, all of which came under speculative pressure last week. The Danish krone and French franc are still the most vulnerable currencies in the exchange rate mechanism, but both the Spanish peseta and the Portuguese escudo, which a week ago were at the top of the currency grid, fell to the bottom half of the table as a result of last week's tensions. Currencies, Page 31



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

'Golden share' for Elf-Aquitaine: The French government will retain a "golden share" in state-controlled oil group Elf-Aquitaine, to protect the company from takeover after privatisation. Page 19

Reuters, international information and news group, is tomorrow expected to disclose a plan to spend £400m ($600m) on buying back its shares. Page 19

Tories face more conflict: Fresh battles loomed in the British Conservative party's civil war over Europe despite prime minister John Major's efforts to call a truce. Page 18

Zulus 'under threat': Chief Mangosuthu Buthelezi, leader of South Africa's Inkatha Freedom party, said the the African National Congress and the ruling National party wanted to destroy the Zulu kingdom. Page 6

Asean reaches trade compromise: The Association of South East Asian Nations has reached a compromise on a Malaysian plan to establish an east Asian trade group which excludes the US and Australia. Page 5

House price rise forecast: UK house prices will rise 8.5 per cent by the end of next year, National Westminster Bank's chief economist says. Page 7; Lex, Page 18

Iraq denies missile attack: Iraq rejected US reports that a missile had been launched against a US air force jet over southern Iraq. Page 2

UK cool on VAT change: Changes to the rules governing value added tax under the European single market have not benefited UK companies, says a report. Page 7

Boots, retailing and pharmaceuticals group, said it was considering the future of its drugs division after the withdrawal of Manoplax, its heart drug. Page 20

Barclays narrows field for top job: Barclays, UK bank seeking an outsider to split Andrew Buxton's joint role as chairman and chief executive, has narrowed its shortlist to British candidates. Page 19

Truck operators strike: Italy's independent road hauliers began a two-week strike. Page 4

Gas price rise boosts profits: US energy groups Exxon and Mobil exceeded market expectations with second-quarter profits boosted by a rise in natural gas prices. Page 21

Race hat-trick: Spaniard Miguel Indurain won the Tour de France cycle race for the third year in succession.

Reformers fight to reverse decision on rouble

By John Lloyd in Moscow

SENIOR reformers in the Russian government yesterday struggled to reverse the surprise decision by the central bank to invalidate all cash roubles printed before 1993, a move which has shocked ordinary Russians as well as officials in neighbouring rouble zone countries.

President Boris Yeltsin cut short a two-week break in the countryside yesterday and returned to Moscow. Government sources said Mr Sergei Filatov, chief of the presidential staff, and Mr Andrei Vavilov, deputy finance minister, met Mr Yeltsin several times to demand that he cancel the central bank's instructions.

According to one account they had secured his agreement to issue such an order, which would include sacking Mr Victor Gerashchenko, the central bank's chairman.

The bank's decision on Saturday, if effected, would call in all Soviet and Russian roubles printed between 1961 and 1992. These would cease to be recognised from today. Russian citizens would have until August 7 to change the old notes, but only under certain conditions.

First, they would have to prove they had "earned" the notes, an apparent attempt by the Bank to curb criminals dealing in large quantities of roubles. And second they could only change Rbs35,000 ($35) for cash. The rest would be placed on account with the state savings bank at interest rates far below annual inflation and could not be withdrawn for at least six months.

Long queues developed outside shops as people tried to change old notes for goods before today's deadline. The rate offered by hard currency traders for pre-1993 roubles plunged to around 2,000-2,500 to the US dollar from its level on Friday of 1,006.

A series of objections came from countries within the rouble zone, including the two autonomous republics of Chechnya and North Ossetia within Russia itself. Officials claimed they had been given no warning and in some cases could not or would not observe the Bank's regulations.

Mr Arnold Voilukov, deputy chairman of the Bank, admitted that no agreement had been reached with other rouble-zone republics before the move was made.

He said, however, that Kazakhstan and Uzbekistan had agreed to the new regulations, while Belarus would also abide by the decision. But the Georgian government said it would replace the rouble with coupons from August 2, and both the Armenian and Moldovan governments said they would continue to honour the old roubles.

Bank officials and foreign financial observers say the main reasons for the exercise are:

- To flush out large holdings of cash which could not be explained by legal dealings.
- To reduce inflation.
- To make counterfeiting more difficult.
- To end the ambiguity between "Soviet" and "Russian" money, and to make clear that all republics which stay in the rouble zone would be subject to Bank of Russia monetary discipline.

However, one foreign financial expert said that "the move will probably not have any long-term effect on inflation. It doesn't look like a move initiated by the Finance Ministry". The struggle at the top of the administration comes after the parliament passed last week a series of decisions which would reverse much of the government's effort to control expenditure and continue privatisation.

Throwback to Soviet ways, Page 3

Bundesbank urged to consider other EMS members

ERM pressure builds as franc threat grows

By Peter Norman in London and David Buchan in Paris

PRESSURE on the European exchange rate mechanism looks set to build again this week ahead of Thursday's meeting of the Bundesbank central council.

Mr Pedro Solbes, Spain's finance minister, urged the Bundesbank to take the problems of other European Monetary System members into account. "The EMS cannot live in a situation of permanent crisis", he said in an interview with the Financial Times.

Large scale intervention by the Bundesbank and Bank of France on Thursday and Friday of last week did no more than hold the French franc at just over one centime above its lower intervention point in the ERM.

Foreign exchange market operators now say that only a significant cut of perhaps one percentage point in German interest rates will save the franc. However, it is doubtful whether the Bundesbank could agree to such an easing of credit conditions in the face of continued inflationary pressures in Germany.

Although the Bank of France and Bundesbank have a formidable reputation for defending the franc and giving speculators a "bloody nose", developments in financial markets late last week were inauspicious for the French currency:

- Market assessments of the scale of a Bundesbank rate cut required to alleviate the crisis rose steadily on Friday, from around half a percentage point in the morning to a full point by the end of currency trading in Europe;
- Equities in Paris advanced on Friday, showing that investors there expect the government to cave in to speculators and cut interest rates in the same way that the British government acted after last September's departure of sterling from the ERM;
- Conservative bond market investors and pension fund managers were reported to be moving funds out of the French into the German bond markets in the expectation of a currency gain from a Franc devaluation or suspension of the ERM;
- New York hedge fund managers said they had so far played hardly any role in the latest round of speculation against the franc. But some said they were preparing to act this week unless there were clear signs of the Bundesbank lowering interest rates.

Market analysts also say the French banking system is in a less strong position than before to support the French government's efforts to shore up the franc through higher interest rates.

French banks cooperated with the government by not passing higher interest rates to corporate and individual borrowers in the crises of last September and early this year. Banks are less able to take such a strain after suffering recession-induced losses this year.

Moreover, the French government is in a worse position to "twist arms" among the state-owned banks because it is preparing them for privatisation and cannot risk destroying their profitability.

The French prime minister, Mr Edouard Balladur, whose centre-right government has repeatedly vowed to defend the franc's status in the ERM, is likely to reaffirm that message when he meets the British prime minister in London today with a government delegation led by President François Mitterrand.

The ERM under pressure

Edouard Balladur
French prime minister

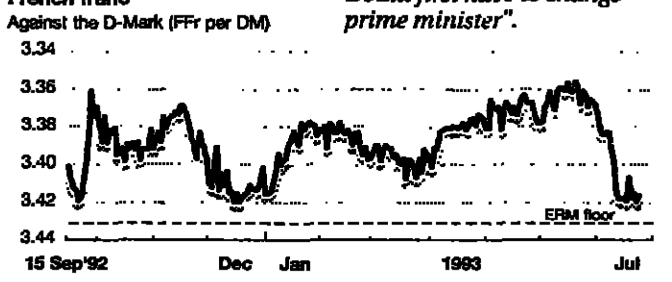
A week to watch...

- Today: Edouard Balladur flies into London to meet John Major
- Preliminary German inflation rate for July (mid-month to mid-month): due this week
- West German import prices for June (key inflation indicator): due this week
- Spanish unemployment figures, which could put pressure on the peseta: due this week
- Thursday: regular Bundesbank council meeting in Frankfurt

Balladur, due in London today, has staked his political future on defending the franc.

"If anyone wanted to carry out another policy they would first have to change prime minister".

French franc
Against the D-Mark (FFr per DM)



Source: FT Graphite

China announces property code to cool credit boom

By Tony Walker in Beijing

CHINA announced at the weekend a 10-point "clean-up campaign" to calm its chaotic property market which is regarded as one of the main causes of an explosion in credit over the past year.

Mr Wang Xianjin, director of the State Land Administration, spoke of "chaos in the land market" and said that lax controls had created openings for "unlawful" speculation.

Among the measures to check rampant speculation will be tighter land use regulations. These would require an advance payment of at least 20 per cent of the total project, excluding land price, before the land use right was legally transferred.

Stringent controls will be imposed to ensure market prices for land sales. The bulk of land transfers in China have been by private treaty, opening the way for widespread corruption.

Mr Wang also vowed to crack down on the unrestrained spread of economic development zones which had mushroomed throughout the country. He estimated around 3,000 zones were either in the planning stage or had been established.

The government had given approval for about 300 development areas which offer tax breaks to foreign investors. Mr Wang said a review was being conducted and zones that had not complied with procedures would be closed down or would be turned into industrial parks, which do not have tax incentives.

The Chinese official stressed that measures to clean up the property market would not affect normal business, but he urged prospective purchasers of property to familiarise themselves with the law.

Chinese attempts to cool the overheated property and land market coincide with a government drive to bring the economy under control. China's economy grew by nearly 13 per cent last year, and continued to expand rapidly in the first six months of 1993.

The authorities have instituted a credit squeeze, and curbed speculative loans. This seems certain to take some of the steam out of the property boom which was already showing signs of faltering, especially in China's southern areas.

The property "clean-up campaign" also coincides with attempts to check land speculation by the military, which has become deeply involved in business, including property development. The Central Military Commission, China's top military body, recently issued a directive, warning specifically against speculative activities. It also said the army had no business becoming engaged in building luxury holiday resorts, office buildings and hotels.

Worry of air crashes, Page 6

Economy minister wants sharp cut in Spanish labour costs

By Tom Burns in Madrid

THE RECESSION in Spain shows no sign of ending and a sharp reduction of labour costs is required to stimulate the troubled economy, the country's new economy and finance minister has warned.

Mr Pedro Solbes also said the European Monetary System could not endure continual crisis and he appealed to the Bundesbank to take the problems of other EMS members into account.

In an interview with the Financial Times, Mr Solbes, the former agriculture minister promoted to the economy portfolio earlier this month, indicated there was little chance over the next two years of reducing Spain's budget deficit. He said he would amend ambitious targets set by the government for economic and monetary union convergence.

The minister gave one of the most sombre assessments of the economic problems and limitations facing Spain. A technocrat and non-socialist in a Socialist-led government, Mr Solbes also gave a frank outline of structural reforms and spending cuts needed to reduce the budget deficit.

"With the data we have at present, I don't see short-term recovery," Mr Solbes said. "It is by no means certain that recession has bottomed out and we will have below-zero GDP growth this year, perhaps minus 0.5 per cent."

The minister said he had to be "very prudent" over forecasts for 1994 although the government was "convinced" the domestic economy would improve. "It is very difficult to suggest figures but we are working on a growth rate of between 1 and 2 per cent," he said.

Mr Solbes will be meeting employers and unions tomorrow for talks on what the government has termed "a social pact for employment" – a broad agreement on wages and labour legislation that will address Spain's sharply deteriorating job market. Quarterly employment figures due this week are expected to show the loss of more than 100,000 jobs in the past three months and an unemployment rate of more than 23.5 per cent.

"My thesis is that wages have to be pegged below inflation levels," Mr Solbes said. He will also seek at the talks a large-scale revision of laws on hiring, job classifications and firing that had helped to make labour costs in Spain among the costliest in the west.

Mr Solbes said he wanted negotiated agreements but made it clear that if these were not forthcoming, the government would act unilaterally and radically to reform the labour market. "There is not much time and new wage guidelines must be in place by January 1," he said.

Spain's shrinking and increasingly uncompetitive economy has fuelled speculative attacks on the peseta and forced three devaluations of the currency since September. Mr Solbes believes the currency weathered last week's attacks, falling to just below its central parity rate in ERM but

Continued on Page 18

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils500	Poland	Zl 22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000		
						UAE	Dh11.00		

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Gradual fall in shekel planned

By David Horovitz in Jerusalem

ISRAEL'S financial community has given a mixed response to measures to reduce inflation and reform foreign currency controls, announced by the Bank of Israel and the Treasury.

From today a 2 per cent import surcharge and a 2 per cent export subsidy are to be scrapped. There will also be a gradual 2 per cent shift in the central rate of the shekel, in effect a gradual devaluation.

Announcing the measures on Saturday, Mr Jacob Frenkel, central bank governor, and Mr Avraham Shochat, finance minister, stated their intention to let the currency depreciate at an annual rate of 6 per cent.

The changes, said Mr Frenkel, were intended to move Israel closer to eliminating all foreign exchange controls, creating a unified exchange rate for the shekel, as well as to stimulate the economy.

He expressed the hope that they would allow a significant reduction in interest rates.

Mr Shochat said he hoped the moves would lower inflation next year to 8 per cent, from a predicted 10 per cent for 1993. "They will also fuel growth in the economy, stability and a gradual reduction in unemployment," he said.

Israeli financial analysts hailed the package as a step forward in the fight against inflation, but leading industrialists said it did not go far enough.

Mr Dan Propper, president of the Manufacturers' Association, called for an immediate 3 percentage point cut in interest rates, and protested that the scrapping of the import levy and the exports surcharge would undermine Israeli competitiveness.

Several leading industrialists are known to have been pressing for an immediate 6 per cent devaluation of the shekel.

Israel pounds guerrilla bases

ISRAELI aircraft and helicopters yesterday attacked guerrilla strongholds across Lebanon in the heaviest air strikes in more than a decade. The guerrillas retaliated by firing salvos of rockets at Israel, Reuter reports from Mashghara, Lebanon.

Police said five Syrian soldiers and eight Lebanese, including a guerrilla leader, his wife and daughter, had been killed in the raids; three Syrian soldiers and 20 Lebanese had been wounded.

Israel sent in its air force, after two weeks of threats, to avenge the killing of six of its soldiers this month in the bloodiest guerrilla attacks on its forces in southern Lebanon in nearly three years. A seventh Israeli soldier died yesterday of wounds sustained in a clash with guerrillas in Lebanon on July 9, the army said.

In retaliation for the air attacks guerrillas fired more than 40 Katyusha rockets at northern Israel, prompting a fresh wave of air raids on Palestinian and pro-Iranian Hizbollah targets in the south and near Beirut.

Israeli and allied gunners pounded guerrilla strongholds in the south with shellfire, security sources said. No one was reported hurt in the Katyusha attacks.

Five Syrian soldiers were killed and three wounded when aircraft struck Mashghara village, the southernmost Syrian post in Lebanon and a Hizbollah guerrilla stronghold. They were the first Syrians killed in Israeli action in Lebanon in years.

Three of the Syrian soldiers were killed when aircraft hit their position in the village facing Israel's "security zone" in the south which was re-inforced with extra artillery in the past two weeks.

Other Syrian soldiers launched SAM-7 surface-to-air missiles at the aircraft, which returned and blasted the source of fire with missiles, killing two more Syrian troops, police said.

Israel accused Syria, one of its partners in Middle East peace talks, of backing the attacks on its forces in south Lebanon. It warned Damascus to curb the Hizbollah and Palestinian fighters by cutting arms supply lines from Iran.

Damascus, the main power broker in Lebanon where it has some 35,000 troops, rejected the Israeli warning and said it would regard any attack on Lebanon as one on itself.

In Washington, the State Department responded to the day of violence by urging Middle Eastern countries to exercise utmost restraint and rely on peace negotiations to settle differences.

Lebanon has warned that any large-scale Israeli offensive would endanger the peace talks that began in October 1991.

Reuter

A Lebanese mother flees with her child in her arms from the Israeli attack on Na'ameh, near Beirut, on Sunday

Violence still setting Mideast agenda

Roger Matthews assesses the latest blow to a failing peace process

ISRAEL'S extensive air raids and artillery bombardment of Lebanon yesterday again underlined just how narrow the line is between war and peace in the Middle East. Since October 1991, when the Middle East peace conference convened in Madrid, the main issue in the region has been the unique opportunity that existed for a settlement.

But, after 10 rounds of negotiations, it is still violence and the response to it that is setting the agenda. Lebanon's southern border with Israel is where the failures of the peace process are most easily exploited by those most opposed to it. Since its unsuccessful attempts in 1978 and 1982 to impose itself on Lebanon politically, Israel has occupied part of the south, purportedly to protect its territory from rocket attacks. But the occupation invites retaliation, provides a focus for the rivalry between Syria and Israel for influence in Lebanon, and has opened to the door to the involvement of Iran through Hizbollah, the radical Shia movement which it largely finances.

Hizbollah serves several purposes. It can claim to be acting as a national liberation movement, has a legitimate role in Lebanese political life, but can also reflect the interests of Syria and Iran, at least for as long as the aims of those two countries coincide. It is a measure of Hizbollah's importance to Iran that it continues to be generously funded and well-equipped militarily at a time when Tehran itself is in difficulty meeting its international obligations.

The increasing sophistication and effectiveness of Hizbollah attacks against Israeli positions in southern Lebanon, especially during this month when seven Israeli soldiers have been killed, was always likely, indeed designed, to draw a response. However, Israel knows from long experience that air attacks will not deter Hizbollah for long, while wider ground operations carry the risk of additional casualties.

The reported deaths of several Syrian soldiers in yesterday's attacks also illustrates how easily the conflict could broaden. Syria maintains at least 35,000 troops in Lebanon as part of an agreement between the two governments. Israel, and no few Lebanese, see the Syrian presence as an occupation, but the government in Beirut angrily rejects this. Mr Rafik al-Hariri, Lebanese prime minister, insists that the Syrian forces will withdraw as soon as they are no longer required, which is not the case with Israel. However, there seems to be broad acceptance that the Syrians will not pull back while Israel still occupies part of south Lebanon and the Golan Heights. And despite more than 20 months of negotiations, Syria, Lebanon and Israel have been unable to report any real narrowing of the gaps.

The proximity of several of yesterday's air raids to the Syrian border was obviously designed to stress the Israeli accusation that Damascus is ultimately responsible for the increased activity of Hizbollah. There is little argument that, although financed by Iran, most supplies reach Hizbollah through Syrian-controlled territory.

The Israelis suspect, with some reason, that Syrian frustration at Israel's refusal to commit itself to withdraw from the Golan Heights is shown by the degree of latitude given to Hizbollah.

The danger of further military confrontation in Lebanon therefore remains high, although President Hafez al-Assad, robbed of the diplomatic and military backing of the former Soviet Union, is likely to measure any response with great care. He will not wish to risk his perhaps irreplaceable front-line aircraft against Israel, or expose his surface-to-air missiles in the Bekaa valley to fresh attack.

For those reasons Mr Assad is certain to welcome the visit later this week to the region by Mr Warren Christopher, US secretary of state. But for the Americans, yesterday's events in Lebanon are the clearest warning yet of the consequences of continued lack of progress in the Middle East peace process.

Baghdad seeks to play down incident over 'no-fly' zone

Iraq denies missile fired at US jets

By Mark Nicholson in Cairo

IRAQ yesterday rejected US reports that a surface-to-air missile had been launched against a US air force jet over southern Iraq at the weekend, claiming the defence department report was either a "plot" or a "hallucination".

The statement followed reports from Washington that jets patrolling the "no-fly" zone late on Saturday had seen a single projectile launched soon after a US F-4G had fired at and hit an anti-aircraft missile site in the area. The F-4G had been "illuminated" by the site's radar.

The Iraqi response to the incident, made in a statement handed to reporters in Baghdad, was less defiantly aggressive than previous reactions to reported clashes in the "no-fly" zone, set up by the Gulf war allies to prevent Iraq using air power against rebel Shia groups in southern Iraq. However, the firing of an anti-aircraft missile would be the first attack on US jets since Iraq declared an informal ceasefire in the region following President Bill Clinton's inauguration in January.

A Pentagon spokesman said that Saturday's missile launch had been witnessed by two US jets and was the second such skirmish within a month. Another F-4G "Wild Weasel" fired at an anti-aircraft site near Basra on June 29.

US aircraft patrolling the "no-fly" zone from bases in Saudi Arabia are under orders to attack any missile site if they are "locked" by its radar.

Iraq said the defence department report "is either hallucination on the part of the pilots or an attempt by US administration circles to fabricate a crisis". Its dismissive suggests Iraq is anxious to avoid further tension with the US while it embarks on a fresh charm offensive within the United Nations, with the particular aim of persuading the Security Council to consider easing economic sanctions.

Talks with the UN on a limited oil sale are expected to resume in New York this week. Wide-ranging discussions on Iraq's compliance with UN ceasefire terms are also scheduled to begin in New York as soon as next month. This results from last week's resolution of a confrontation over the installation of monitoring cameras at two missile test sites and Iraq's declaration that it would consider long-term monitoring of all its weapons programmes.

A team of UN weapons inspectors arrived in Baghdad yesterday to install video cameras at the two sites as part of a compromise brokered between Iraq and the UN last week by Mr Rolf Ekeus, the UN envoy.

The cameras will be turned off pending the results of the UN-Iraq talks next month and the UN inspectors are expected to leave Iraq within four to seven days.

Opec clashes over ways to prop up oil prices

By Deborah Hargreaves in London and Mark Nicholson in Cairo

MINISTERS from the Organisation of Petroleum Exporting Countries clashed at the weekend over ways to support sagging world oil prices.

Mr Jean Ping, Gabon's oil minister and current president of Opec, has failed to find a consensus to address what one minister described as "Opec's worst crisis since the price collapse of 1986".

Mr Ping continued his tour of Middle Eastern Opec countries to canvass opinion for an emergency meeting to agree a strategy for Opec when Iraq returns to the export market.

Iraqi officials have been involved in negotiations with the United Nations over limited oil sales.

Mr Ping met officials from the United Arab Emirates, the organisation's fourth biggest producer, yesterday afternoon.

He said in Abu Dhabi that he might hold further talks today with Saudi Arabia and Kuwait. His shuttle, which has already included discussions with the Saudi, Iranian and Kuwaiti oil ministers, was prompted by oil market jitters over the prospect of Iraq reaching agreement with the United Nations on a limited exemption to the oil embargo imposed after the Gulf war.

Opec has already abandoned plans for an emergency meeting scheduled for Wednesday in Vienna in the absence of any agreement and amid increasing recriminations among its leading members.

In particular, Saudi Arabia and Iran, the organisation's two biggest producers, are at loggerheads over the course the organisation should take. Mr Gholamreza Agazadeh, Iran's oil minister, is seeking an immediate meeting, with the backing of Algeria.

But Mr Hisham Nazer, Saudi oil minister, has argued that a meeting would be pointless until it is known if, when and in what quantities Iraqi oil will return to the market.

Although Opec, with the exception of Kuwait, agreed at its last meeting to adhere to an overall ceiling of 23.58m barrels a day, industry estimates put actual production well above 24m b/d.

Mr Nazer on Friday placed the blame squarely on Iran for the present price slump, accusing Tehran of pumping 277,000 b/d more than its alloted share under the last agreement. Iran "alone bears responsibility", he said. Iraq yesterday joined the fray, blaming the ruling families of Saudi Arabia and Kuwait for undercutting prices.

The oil market was fairly steady late last week in spite of the Opec disarray, but price stability remains fragile while the threat of Iraqi oil sales continues to hang over the market.

Iraqi officials who have been talking to the United Nations about a possible one-off sale of $1.6bn-worth of oil are still in Baghdad. But they are expected to resume talks in New York next week.

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NEWS: INTERNATIONAL

Throwback to Soviet ways

John Lloyd examines the weekend announcement by the Russian Central Bank that all pre-1993 roubles are to be scrapped

THE announcement over the weekend, by the Russian Central Bank, that all roubles printed before 1993 must be exchanged during the next two weeks for new notes is confusing only on the surface. Below the surface, it is Byzantine.

First, the timing of the announcement was significant. It came early on Saturday morning, when President Boris Yeltsin was on holiday, when Mr Boris Fyodorov, the finance minister, was in the US.

Mr Sergei Dubinin, his first deputy, had just left for a summer break – having told journalists on Friday that the government would demand that Mr Yeltsin must veto a range of measures passed by the parliament in the previous week.

No government figure commented on the announcement, as would have been expected with regard to a move at once so radical and so uncomfortable for the population.

Instead, the official TASS news agency published a Statement of the Russian Government: Text of the Official Document, which says, "the Central Bank's decision, taken with the aim of stabilising the cash circulation in the country and eliminating the plurality of forms of cash notes, is supported by the Russian Government". (This was without citing a spokesman or minister – a throwback to the Soviet period when announcements simply emanated from the communist party politbureau or from the government.)

Second, according to a source close to the radicals in the Russian cabinet, two key reformers – Mr Sergei Filatov, Mr Yeltsin's chief of staff, and Mr Andrei Vavilov, the deputy finance minister – had a series of meetings with Mr Yeltsin yesterday and finally secured his agreement to issue a decree cancelling the decision of the Central Bank and sacking Mr Victor Gerashchenko, the bank's chairman.

The reformers were horrified by the move, regarding it as a provocation designed to deepen the government's unpopularity, taken without notice or adequate preparation, and largely useless in comnbatting inflation and crime, two of the stated aims.

However, no such decree had been published by yesterday evening. Mr Yeltsin is constitutionally unable to sack Mr Gerashchenko without the agreement of the Russian parliament, to which the central bank chairman is repsonible. If the president were to decree such a dismissal, he would be again be in direct confrontation with the parliament.

Third, a clash between the president and the executive, on the one side, and the parliament, on the other, is now inevitable. It will probably come soon. The parliament has taken a range of decisions in the past ten days.

- To strip the privatisation agency of many of its powers to rescind licences given to foreign banks;
- To tighten control over the Central Bank itself;
- To pass a budget with a defiict of Rbs22 trillion, or 25 per cent of GNP;
- To give leave to the procurator-general to investigate corruption allegations against Mr Vladimir Shumeiko, the first deputy prime minister. (A parallel investigation is proceeding against Mr Mikhail Poltoranin, a deputy prime minister and, like Mr Shumeiko, a close ally of Mr Yeltsin.)

These have added up to the most serious challenge to the president since he was forced by the Congress of People's Deputies last december to fire Mr Yegor Gaidar, then the acting prime minister.

Mr Yeltsin has thus cut short a planned two-week break by some four or five days, and he was at his desk in the Kremlin yesterday.

Fourth, the political temperature is rising rapidly. A congress of the National Salvation Front, the hard-line grouping that unites the nationalist and neo-communist movements, met yesterday to hear its co-chairman, Mr Ilya Constantinov, demand that "this criminal government be swept away".

The deepening involvement of Russian troops in the Asian border war between Tadjikistan and Afghanistan is raising passions as the number of casualties rises; the worsening relations between Estonians and Russians in the Baltic republic of Estonia is a prime cause for the nationalists in Russia to seize, as is the decision of the Russian parliament to claim jurisdiction over the city of Sevastopol in Crimea, a region of Ukraine.

Mr Yeltsin was told by the supportive daily newspaper Izvestiya last Friday that "the President's voice must now be heard". It seems that such a hearing cannot be long delayed.

Ashley Ashwood

President Boris Yeltsin: Heading for a clash with the Russian parliament

Turkish tourist site hit by blast

A BOMB exploded yesterday at a tourist site in central Istanbul, injuring an Italian tourist and three Turks, Reuter reports from Istanbul.

The Anatolian news agency quoted police as saying that the bomb had been left in a litter basket under an automated bank teller machine near the sixth-century Haghia Sophia Cathedral.

Separatist rebels of the Kurdistan Workers' Party (PKK) meanwhile kidnapped four French tourists in south-eastern Turkey yesterday.

However, it was not immediately clear whether the bomb attack was connected with threats by the outlawed secessionist party to attack Turkish tourist sites.

Police said that the Italian tourist at the bombing site was slightly injured. The three Turks were also slightly hurt.

The bombing is not reported to have caused any damage to the Haghia Sophia, which is one of the world's most celebrated monuments of Byzantine architecture.

UN base shelled in Serb assault

By Laura Silber in Geneva

SERB forces fired artillery rounds into a French-staffed United Nations base in Sarajevo yesterday, setting ablaze several vehicles but with no reported injuries. The incident occurred hours after the latest Bosnian ceasefire came into force.

French Colonel Roger Duburg said seven artillery rounds slammed into the parking lot of the UN base in what he told reporters was a deliberate attempt to intimidate the UN. The shells hit a satellite base of the UN force at the Zetra Olympic stadium in the besieged Bosnian capital.

"I believe this was a signal. Under the latest UN resolution we may have the option to send them a signal," Col Duburg said, implying that the UN forces could retaliate.

"This was direct fire. It was not an accident," he said. The UN has warned Serb forces it will use Nato aircraft to protect UN peacekeepers if they come under fire in the six enclaves proclaimed as "safe areas", including Sarajevo.

UN Commander Barry Frewer said both sides had ignored the ceasefire. Bosnian President Alija Izetbegovic has said he would boycott peace talks in Geneva, postponed until Tuesday, if the Serbs maintain their offensive.

Bosnian radio said at least 27 people were killed and 60 wounded yesterday in an all-out Serb tank and artillery attack on the northeastern town of Brcko.

UN observers saw refugees streaming from the town, headed for Tuzla, the Bosnian government stronghold 40 miles to the south. The UN reports said they expected the fighting to intensify amid a build-up of Serbian tanks.

"The entire 65km front line is wrapped in flames and smoke. . . Bosnian homes are collapsing like houses of cards in the terrible explosions of Russian Volkov rockets," said Sarajevo radio, calling yesterday "the most difficult since the beginning of the war".

Belgrade radio confirmed the clashes between Serbs, on one side, and Moslems and Croats, on the other. It said a powerful counter-offensive has successfully pushed back the Moslem forces". Serb forces seized control of Lipovac, Kolonija and Brod, villages on the outskirts of Brcko, reported SRNA, the Bosnian Serb news agency.

Brcko has changed hands several times and been heavily damaged since the war erupted 16 months ago.

The five-day offensive around Brcko follows a pattern established by the Bosnian Serb army in spring last year when they killed or expelled hundreds of thousands of Moslems from eastern Bosnia while international attention was focused on Sarajevo.

Ceasefire agreed in Azerbaijan war

AZERBAIJAN and Armenians in Nagorno-Karabakh yesterday agreed a three-day ceasefire along the borders of the disputed enclave, the latest in a series of attempts to end the bloody fighting, Reuter reports from Moscow.

Mr Gegam Bagdasaryan, a Karabakh parliament spokesman, said the ceasefire, which took effect at midnight on Saturday, had so far been respected by both sides.

"We agreed on condition that the time would be used to hold top-level negotiations between Azerbaijan and Nagorno-Karabakh," he said.

Azeri authorities refused to confirm or deny whether a ceasefire had been introduced, but a defence ministry spokesman in the Azeri capital, Baku, told local reporters that the fighting had effectively stopped yesterday.

Interfax news agency said the ceasefire was agreed after a series of consultations between Mr Safar Abiyev, Azeri acting defence minister, and Mr Samvel Babayan, Karabakh military commander.

Armenian forces this year changed the tide of the five-year war over the Transcaucasian enclave, which has announced its independence from Azerbaijan. Repeated international and domestic efforts to resolve the crisis have come to nothing.

The Armenians have forced Azeri troops out of Karabakh and seized a crucial region between the enclave and Armenia. Last week, they dealt Baku a further humiliating blow when they seized the key Azeri town of Agdam, east of Karabakh, despite repeated denials that they intended to gain control of the town.

Hauliers' strike threat to Italy food

By Robert Graham in Rome

SUPPLIES of essential materials including foodstuffs and petrol were threatened yesterday by the onset of a two-week strike of Italy's independent road hauliers.

Talks between the government and Unatras, the independent road hauliers' association, are due to continue today to find a compromise, but the two sides remain far apart.

The strike threatens devastating disruption at a time of political uncertainty. Road haulage accounts for 62 per cent of all freight in Italy and Unatras members carry roughly two thirds of this.

Already yesterday anxious motorists had exhausted supplies of petrol in many of the major cities.

This is the Ciampi government's first serious challenge from a trade organisation. Mr Carlo Azeglio Ciampi, the prime minister, has adopted a tough stance towards what he regards as excessive demands from Unatras at a moment when unions and management have agreed to keep wage demands below inflation.

If necessary, the government says it has prepared emergency measures for essential distribution and could invoke legislation forcing Unatras members back to work. However, matters could be complicated if road hauliers decide to block main roads as some have threatened.

The strike has been the result of a dispute over new tariffs and fiscal treatment dating back to last year.

The association is demanding a 10 per cent increase in tariffs. The government is offering 2 per cent for 1993 and 3 per cent for 1994.

Smaller foreign banks nervous about suicide of Gardini

Banks meet over Ferruzzi debts

By Robert Graham

FOREIGN banks owed L6,500bn ($4.1bn) in the collapse of the Ferruzzi-Montedison group are due to attend a creditors' meeting in Milan tomorrow under the auspices of the Bank of Italy.

The meeting has been called by Mediobanca, which is co-ordinating the rescue operation through five Italian and two foreign banks. By holding the session at the Milan offices of the Bank of Italy, Mediobanca has aimed to give a sense of neutrality while also demonstrating the central bank's commitment to the orderly resolution of the problems created by Ferruzzi's L31,000bn consolidated debt.

But the meeting has been complicated by the extraordinary string of recent events affecting the leading players in Italy's second largest private group and the state of Ferruzzi-Montedison's finances.

As a result, some of the smaller foreign banks may well be tempted to invoke proceedings for default. Until now the two foreign banks on the rescue committee, Switzerland's UBS and France's Société Générale, have not raised the issue.

The foreign banks, however, have been made nervous by the shock-waves following the suicide by Mr Raul Gardini, the former head of the Ferruzzi empire, and by arrest warrants issued for four key figures connected with the group on charges including alleged falsifying accounts and illicit financing of political parties.

It is now certain, according to Milan magistrates, that Mr Gardini would have been arrested on similar charges had he not committed suicide.

It is now certain that Gardini would have been arrested, Milan magistrates say

Mr Carlo Sama, married to one of the three sisters of the empire's founder the late Arturo Ferruzzi, and former chief executive of Montedison, the group's chemicals arm, is now in prison on charges of alleged falsifying accounts and corruption. Mr Vittorio Giuliani Ricci, married to another of Arturo Ferruzzi's daughters, and a leading group executive, has been released on bail.

The late Mr Gardini's close associate, Mr Sergio Cusani, a financier close to the Socialist Party, was also arrested on corruption charges allegedly related to the creation of a L100bn slush fund resulting from Ferruzzi-Montedison's involvement in the reorganisation of the chemicals industry.

Over the weekend Mr Giuseppe Berlini, the Ferruzzi family's private financier, handed himself in to Milan magistrates after an arrest warrant was issued for alleged corruption'

These arrests, coupled with the continued interrogation of Mr Giuseppe Garofano, the former chief executive of Montedison, have already begun to shed light on some of the reasons behind Ferruzzi's huge debts and losses.

Evidence has emerged that goes some way to explain the mysterious announcement on June 28 that Montedison had lost an extra L320bn in 1992 only days after shareholders had approved the year's accounts.

According to extracts of Mr Garofano's testimony due to be published today by Il Mondo, a weekly magazine, these losses relate directly to commodity trading deals conducted by Mr Gardini.

To cover commodities trading losses of $60m-$80m, Mr Gardini decided to speculate in soya in 1989. This was already public knowledge since the Chicago Board of Trade subsequently imposed a $2m fine on the Ferruzzi group.

However, according to Mr Garofano's testimony, Mr Gardini lost $350m-$400m. Of this only $150m was written into the accounts of Ferruzzi Finanzaria (Ferfin) in 1990 and the remainder was temporarily covered by Montedison arranging a back-to-back financial operation with Montedison International, allegedly using the services of Mr Berlini.

The Garofano testimony goes on to allege that the extra L320bn hole in Montedison's 1992 accounts was due to the Ferruzzi family seeking to cover the bulk of the commodities losses caused by the days of the Gardini chairmanship by attributing them to Montedison.

Mr Luca Mucci, Mr Garofano's lawyer, over the weekend attacked the way his client's testimony had been leaked to the press. This suggests the testimony was accurate. Until now all extracts of testimony leaked to the press, apparently with the endorsement of the magistrates, have proved correct.

Picture: Associated Press

Francis Bouygues: 'a man of remarkable intelligence'

OBITUARY

Francis Bouygues – concrete king

MR FRANCIS BOUYGUES, one of France's most powerful industrialists and founder of Bouygues, the world's largest construction company, died at the weekend of a heart attack at his country home in Brittany.

Known in France as the "concrete king", Mr Bouygues, 70, was a figure noted as much for his powerful personality as his business skills. He was one of the handful of autocratic industrialists, or *patrons*, who dominated the industrial development of post-war France.

The prime minister, Mr Edouard Balladur, described him at the weekend as a "man of remarkable intelligence, dynamism and imagination". Mr Jacques Chirac, mayor of Paris and prospective president, praised his "imagination, creativity and tenacity".

Mr Bouygues was born in Paris in 1922 and, after studying engineering, founded Bouygues in 1952. The company flourished during the buoyant post-war era and, helped by Mr Bouygues' political contacts, became a power in the construction industry. However, he also had the vision to expand the business internationally. This strategy has been continued by his son, Martin, who took over as chairman in 1989.

Bouygues has made its mark with a series of grandiose projects both inside and outside France, including the construction of Charles de Gaulle airport near Paris and the futuristic Grande Arche at La Défense, as well as being a big contractor for the Channel Tunnel.

VW jigsaw begins to clatter into place

By Christopher Parkes in Frankfurt

SOME of the links necessary to support General Motors' charges that its former global purchasing chief and a group of his associates took industrial secrets with them when they departed for Volkswagen clattered into place last week.

After revealing that Mr José Ignacio López de Arriortúa, now VW's production director, had a personal hand in the collection of some of the GM documents found in the former German home of two of his fellow defectors, public prosecutors made plain the next stage.

"The investigations will continue, with special attention to the examination of witnesses from the Volkswagen group," they said last Thursday.

The aim now is to try to seal the links, and extend the chain of evidence and circumstances. Mr Ferdinand Piëch, group chairman and scion of the rich and influential Porsche family, has consistently denied all allegations of espionage, conspiracy or any other suspicions.

Mr Gerhard Schröder, representing VW's biggest shareholder by virtue of his post as prime minister of Lower Saxony, which owns 20 per cent of the group, has repeatedly claimed it is all a commercial "campaign". He argues that GM, a "foreign" company, is peeved at the loss of Mr López, an inspired and inspiring manager, and is out for retribution.

Mr Schröder, who met Mr Piëch at a crisis meeting last Friday, is likely to keep his counsel in future. After last week's legal setbacks, and evidence of a popular swing of opinion in favour of GM's standpoint, VW needs a rather more professional approach to its public statements. According to a poll from the respected Forsa institute in Dortmund, 65 per cent of Germans believe there is "something in" the US group's charges.

This view has been encouraged by apparently ambivalent press statements from VW. There was no reason for Mr López to resign "at this point", a spokesman said last week. The group's official response to the state prosecutors' revelations about the papers found in Wiesbaden also appeared to lack conviction.

The tide of opinion and *prima facie* evidence appears to have turned against VW. The prosecutors are now believed to be working their way through interviews with VW employees. Starting with established members of staff, they are searching for evidence that GM data, whether on paper, computer disks or via electronic transmissions was filtered into VW's Wolfsburg headquarters.

At the end of the list of interviewees stand the four former GM men, all of whom have already signed statements or affidavits that they neither took secrets from their old employer nor delivered them to their new one. They are on annual leave at present and not due back until early August, although all the signs at the weekend were that they were likely to be called back early.

Bundesbank will not follow the Fed's lead

AMERICA'S money markets barely flinched in response to last week's congressional testimony by US Federal Reserve chairman Alan Greenspan. His Humphrey-Hawkins report gave few new clues about when interest rates might rise, and long-term rates hardly moved.

What was new, and potentially important, was Mr Greenspan's emphasis on real, inflation-adjusted, interest rates as an indicator of inflationary pressures. According to the Fed, the relationship between monetary aggregates, inflation and output appears to have broken down. It fears that slow growth in its favoured M2 broad money indicator may paint an overly sanguine picture of future inflationary trends.

But Mr Greenspan did not explain how real interest rates will fill the gap. Real rates, he said, should not move too far from the long-term "equilibrium rate" consistent with steady non-inflationary growth. He also noted that short-term rates, deflated by post consumer price inflation, have been close to zero for nine months, as the left-hand chart shows. But does this mean that short-term real rates are currently too low? And what is their long-run equilibrium level? Mr Greenspan left the markets guessing.

Europe's money markets are, meanwhile, having similar difficulties guessing when the Bundesbank's next interest rate cut will arrive. Current parities in the exchange rate mechanism may not survive much longer without a substantial cut in German rates. The troubled state of German manufacturing industry, and an inverted yield curve, both argue for lower rates. But last week's news that German broad money grew by an annualised and seasonally adjusted rate of 7.1 per cent in June, taking it outside the bank's target range of 4.5-6.5 per cent for 1993, appears, for now, to rule out further cuts.

The Bundesbank, unlike the Fed, has not publicly suggested that the relationship between broad money and inflation has broken down. Nor should it, according to Mr Thomas Mayer of Goldman Sachs in Frankfurt. Mr Mayer has re-estimated the Bundesbank's own monetary model to test the sagacity of its monetarist policy rules. He finds that, despite the monetary turbulence that has engulfed Germany since monetary unification in July 1990, the bank's old policy rule still holds: a one percentage point increase in money supply above that justified by long-run growth still leads to a one percentage point rise in the price level. Even if broad money growth falls to 6.5 per cent this year and 6 per cent in 1994, inflation will remain well above 3 per cent throughout next year, despite the bank's 2¼ per cent target.

So should the Bundesbank ignore industry's complaints and raise interest rates, rather than cut them? The bank's problem is that it is battling to control aggregate inflation in an economy in which the non-traded and traded sectors are moving in very different directions. Monetary growth is accelerating because the government is borrowing from the banks to finance its budget deficit. High interest rates and harsh words from the Bundesbank have failed to stop this public profligacy, which in turn is fuelling non-traded price inflation: consumer prices rose, over the past year, by over 4 per cent.

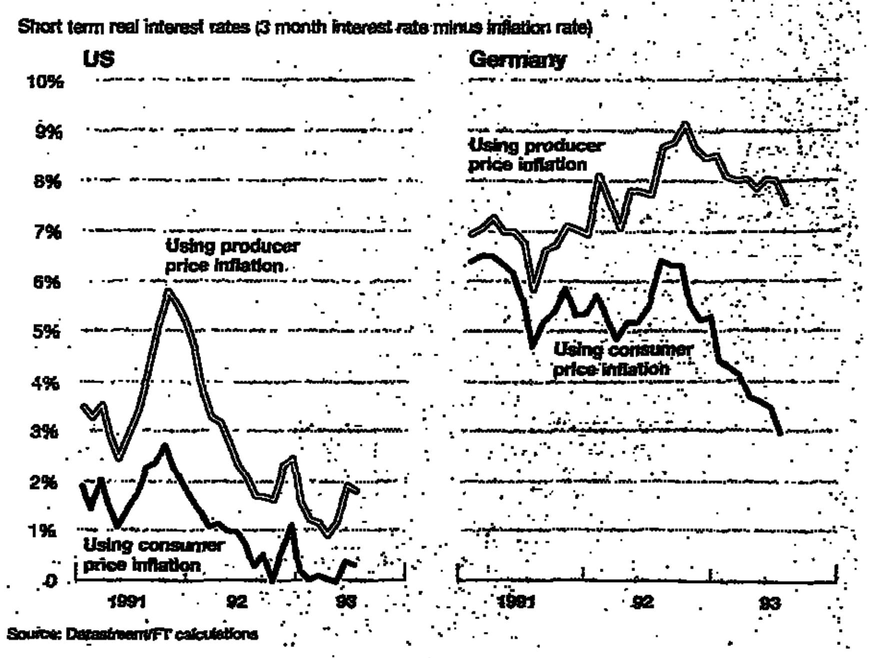
The Bundesbank's only option, short of abandoning its inflation objective, has therefore been to use high interest rates and a strong D-Mark to enforce a fierce offsetting credit squeeze on private industry. Not surprisingly, producer prices fell by 0.4 per cent in the year to June.

Mr Greenspan's short-term real interest rates provide a powerful illustration of the Bundesbank's dilemma. The short-term real rate, based on consumer price inflation, has dropped sharply this year, as the right-hand charts shows. But the relevant real interest rate for industry – adjusted for producer price inflation – has barely fallen. If the Bundesbank cares about traded goods price inflation and the long-term health of German industry, then it should relieve its suffering by cutting interest rates now. But if the bank still believes in its monetarist analysis then it is hard to see how it can credibly do so.

Edward Balls

Real interest rates: Mr Greenspan's new monetary measure

Short term real interest rates (3 month interest rate minus inflation rate)



Source: Datastream/FT calculations

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.	5.0	9.3	6.62	6.51	n.a.	4.3	5.1	5.45	6.94	n.a.
1986	13.5	8.3	6.49	7.67	3.43	6.9	8.2	5.12	5.35	0.84	10.0	8.3	4.64	5.90	1.79
1987	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21
1988	4.3	5.2	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54	9.7	6.4	4.34	6.46	2.61
1989	1.0	3.9	8.99	8.49	3.43	4.1	10.6	5.31	5.22	0.48	6.3	5.8	7.11	6.94	2.22
1990	3.7	5.3	8.06	8.54	3.60	2.6	8.5	7.62	6.91	0.65	4.5	4.5	8.49	8.71	2.11
1991	5.9	3.3	5.87	7.85	3.21	5.2	2.0	7.21	6.37	0.75	5.1	5.6	9.25	8.44	2.38
1992	12.4	2.0	3.75	7.00	2.95	4.5	–0.4	4.28	5.25	1.00	7.1	8.2	9.52	7.77	2.45
3rd qtr.1992	12.6	1.6	3.35	6.61	2.96	3.2	–0.5	3.90	5.10	1.06	6.6	8.8	9.72	7.88	2.53
4th qtr.1992	14.3	1.8	3.55	6.73	2.94	2.0	–0.4	3.67	4.78	1.03	10.7	9.6	8.98	7.34	2.67
1st qtr.1993	11.9	0.5	3.20	6.26	2.81	1.8	–0.4	3.29	4.34	1.00	9.6	7.5	8.31	6.87	2.42
2nd qtr.1993	11.9	0.9	3.18	5.98	2.80	3.1	1.4	3.09	4.55	0.83	9.5	8.6	7.68	6.73	2.24
July 1992	11.8	1.4	3.44	6.84	2.95	2.9	0.2	4.19	5.26	1.10	5.5	8.4	9.78	8.01	2.37
August	12.4	1.6	3.37	6.59	2.95	3.7	0.3	3.75	5.03	1.12	6.1	8.7	9.88	7.99	2.60
September	13.5	1.8	3.24	6.41	2.98	2.9	–0.5	3.74	4.99	0.98	8.3	9.3	9.50	7.65	2.62
October	14.4	2.0	3.32	6.58	3.02	2.5	–0.6	3.71	4.90	1.04	8.5	10.4	8.95	7.38	2.72
November	14.4	1.8	3.56	6.85	2.94	1.6	–0.6	3.65	4.76	1.05	11.2	9.7	8.94	7.36	2.66
December	14.2	1.5	3.67	6.75	2.87	1.9	–0.4	3.64	4.70	1.00	12.5	8.7	9.03	7.29	2.64
January 1993	13.4	1.0	3.26	6.59	2.87	2.4	–0.3	3.59	4.55	1.03	9.5	7.7	8.60	7.10	2.58
February	11.5	0.2	3.18	6.28	2.80	2.3	0.1	3.15	4.31	1.01	9.2	7.3	8.39	6.94	2.43
March	10.7	0.1	3.17	5.97	2.76	0.9	–0.4	3.13	4.19	0.87	10.0	7.6	7.98	6.59	2.27
April	10.8	0.3	3.15	5.96	2.81	2.4	0.5	3.08	4.42	0.85	9.1	8.7	7.92	6.63	2.23
May	12.1	1.1	3.14	6.02	2.81	4.0	1.5	3.09	4.64	0.82	9.3	8.5	7.52	6.80	2.27
June	12.7	1.4	3.25	5.94	2.80	2.9	1.4	3.10	4.58	0.82	10.1	8.6	7.60	6.77	2.22

	FRANCE					ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	6.2	7.4	10.03	11.74	n.a.	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	6.9	6.8	7.79	8.74	2.65	10.5	8.2	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	4.1	9.9	8.26	9.46	2.75	10.4	9.8	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	3.9	8.4	7.94	9.08	3.69	7.8	6.9	11.24	10.54	2.71	6.8	17.0	10.41	9.69	4.48
1989	8.1	9.6	9.39	8.79	2.88	7.1	8.2	12.41	11.61	2.46	5.9	17.5	13.96	10.30	4.36
1990	3.6	9.0	10.32	9.92	3.19	9.3	9.1	11.98	11.87	2.84	5.3	16.0	14.82	11.53	5.07
1991	–4.7	2.8	9.62	9.03	3.58	7.3	8.0	11.83	13.20	3.45	2.4	8.2	11.58	10.04	4.97
1992	0.1	5.5	10.36	8.57	3.55	6.7	7.5	13.86	13.29	3.63	2.3	5.2	9.73	9.09	4.91
3rd qtr.1992	–0.2	4.8	10.58	8.90	3.67	5.9	6.8	16.14	13.83	4.02	2.4	5.3	10.39	9.21	5.21
4th qtr.1992	0.1	5.5	10.77	8.26	3.72	2.8	5.8	14.64	13.84	3.68	2.7	4.4	7.68	8.45	4.64
1st qtr.1993	0.4	5.1	11.83	7.66	3.38	2.8	6.2	11.88	13.13	3.04	4.4	3.3	6.43	7.97	4.35
2nd qtr.1993			8.00	7.08	3.33			10.82	12.49	2.48	4.2	3.5	6.00	7.92	4.04
July	–0.5	5.3	10.23	8.90	3.69	7.4	8.0	15.36	13.65	3.78	2.6	5.6	10.21	9.08	5.15
August	–1.2	5.4	10.39	9.06	3.71	5.3	6.5	15.27	13.71	3.94	2.5	5.4	10.43	9.37	5.33
September	–0.2	4.8	11.12	8.75	3.61	5.0	6.1	17.82	14.14	4.35	2.2	4.8	10.64	9.18	5.14
October	1.8	6.3	11.12	8.43	3.83	5.5	7.3	15.53	14.36	3.95	2.4	5.1	8.49	8.69	4.83
November	0.4	6.1	9.77	8.14	3.70	2.5	5.8	14.53	13.48	3.48	3.0	4.3	7.32	8.27	4.60
December	0.1	5.5	11.35	8.20	3.64	0.4	4.4	13.90	13.68	3.61	2.8	3.7	7.24	8.38	4.49
1993 January	0.9	5.3	12.16	7.93	3.58	2.2	5.4	12.73	13.46	3.26	3.9	3.1	7.04	8.33	4.46
February	0.5	5.3	12.12	7.78	3.40	2.9	6.3	11.51	13.03	3.01	4.5	3.3	6.23	7.97	4.38
March	0.4	5.1	11.27	7.33	3.19	3.5	6.8	11.41	12.92	2.86	4.9	3.6	6.04	7.65	4.24
April	–1.8	4.1	9.06	7.14	3.25	1.9	5.8	11.48	13.13	2.75	4.8	3.5	6.02	7.81	4.08
May	–2.0	3.1	7.64	7.16	3.39	2.2	6.1	10.80	12.50	2.53	3.3	3.6	6.03	8.08	4.04
June			7.32	7.16	3.35			10.22	11.87	2.15	4.4	3.3	5.95	7.88	4.03

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

US taxation legislator denies allegations of postal embezzlement

By George Graham in Washington

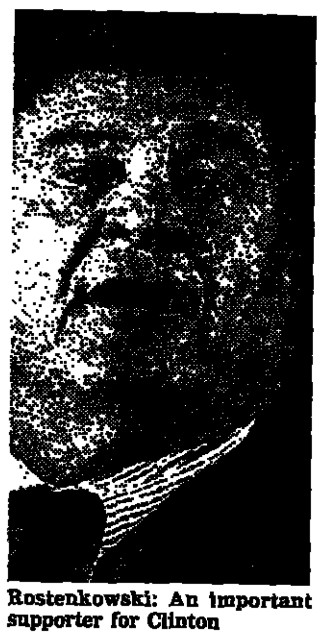
MR DAN Rostenkowski, the most powerful tax legislator in the US Congress, broke his silence this weekend to defend himself against allegations of embezzlement.

He had made no comment all week after Mr Robert Rota, former head of the post office at the House of Representatives, pleaded guilty to charges of helping two congressmen to embezzle money through his office.

Mr Rota identified only Congressmen A and B in his plea, but the dates and amounts of payments listed in documents filed with the court match payments made to Mr Rostenkowski, a Chicago Democrat, and to Mr Joe Kolter, a Pennsylvania Democrat, these being detailed in earlier public documents.

On Saturday, however, Mr Rostenkowski hired new lawyers to defend himself and called a news conference on Capitol Hill to deny "the many unfair, false and baseless allegations that have been made recently about me."

Mr Rostenkowski went on: "I am presumed to be innocent. I have been charged with nothing. But, most importantly, I am in fact innocent of any wrongdoing."


Rostenkowski: An important supporter for Clinton

Mr Robert Bennett, who will now handle Mr Rostenkowski's defence in tandem with Mr Carl Rauh, has defended clients such as Mr Casper Weinberger, former defence secretary, and Mr Robert Altman, now on trial in New York in the Bank of Credit and Commerce International case.

As chairman of the House Ways and Means committee, Mr Rostenkowski holds sway over all tax legislation in Congress. He and Senator Pat Moynihan, chairman of the Senate finance committee, are the key negotiators in the effort to craft a bill that would reconcile the different budgets recently passed by the House and the Senate.

Mr Rostenkowski is one of the very few powerful Democrats in Comgress who has shown any willingness to help President Bill Clinton get his economic programme passed.

The chairman is leading the search for a compromise on energy taxation that would take into account the Senate's rejection of a broad tax levied on the thermal content of all forms of energy, but would raise more money than the simple petrol tax of 4.3 cents a gallon voted by the Senate.

Having failed to win Senate negotiators over to the idea of adding a utilities tax to the petrol tax, Mr Rostenkowski is now proposing to lift the petrol tax in stages to 9 cents a gallon. Congressional aides expect a final agreement at 6 to 7 cents a gallon; White House officials appear to have accepted that.

Pressure on Brazil over killings

By Christina Lamb in Rio de Janeiro

BRAZIL is coming under international pressure to act against the country's urban death squads, after the murder of seven homeless boys and young men in the centre of Rio de Janeiro.

Those who died, aged 11 to 22, were among a group of 40 youngsters sleeping outside the Candelária church who were sprayed with gunfire by men in cars at dawn on Friday.

The gunmen are widely believed to be police, though initial witness reports identifying two policemen have been withdrawn. Yesterday, a member of the task force set up to investigate the crime said that it believed the massacre to be the work of "professional exterminators", adding that inquiries are now focusing on security guards of banks and shops in the Candelária area. Even so, police involvement has not been ruled out.

According to official figures, 320 street children were killed in Rio during the first six months of this year by death squads. These are said to receive pay from hoteliers and shopkeepers for so-called "clean-up operations". Their members often include police.

Organisations such as Amnesty International have offered much criticism but the Brazilian government has done nothing to lessen the poverty forcing children into the streets, to halt the killings or to undo Brazil's reputation as a country of impunity. However, the latest attack was especially shocking in its blatancy and the government may be forced to act.

A European Community communiqué on Saturday condemned the attack, expressing "profound indignation by member states".

President Itamar Franco spent the weekend in Rio conferring with Mr Mauricio Correia, justice minister, and Governor Leonel Brizola of Rio. Mr Franco's spokesman says the president was "horrified".

Cuban telephone links eased

THE US State Department has issued new guidelines for telecommunications companies seeking to provide telephone links to Cuba, opening a small, symbolic breach in the US trade embargo against the government of President Fidel Castro, reports George Graham in Washington.

The new rules do not release Cuba's estimated $80m share of earlier telecommunications revenues, frozen in an escrow account in New York, but they allow Cuba to receive half of future telephone revenues.

Cuban exiles are allowed to make small remittances to relatives in Cuba, but other dollar transfers to the island are banned by the US.

The relaxation of rules for telephone services was authorised by US legislation last year that otherwise sought to tighten the US embargo against Cuba by extending restrictions to the foreign subsidiaries of US companies. This was hotly contested by foreign countries, including the UK, as an unwarranted extension of US jurisdiction.

Cuban exiles in the US, including those who otherwise oppose any thaw in relations with the Castro government, strongly favour improved telephone links.

Telephone links with Cuba have always been difficult, but became even more so after Hurricane Andrew last year knocked out AT&T's transmission towers in south Florida.

It is not clear whether Cuba, which has insisted on receiving its money from escrow, will accept the proposal, but its increasingly desperate need for foreign exchange may well cause it to settle for the offer under the new rules.

Asean compromises on trade group

THE Association of South-East Asian Nations (Asean) has reached a messy, last-minute compromise on the future of a controversial Malaysian plan to establish an east Asian trade group excluding the US and Australia, writes Victor Mallet from Singapore.

Asean's six foreign ministers agreed that the proposed East Asia Economic Caucus (Eaec) would be within the Asia Pacific Economic Co-operation (Apec) forum – the broader organisation which does include the US, Australia and Japan – but would also be able to meet outside the context of the Apec.

A dispute over the relative merits of the Eaec and Apec has soured relations between Malaysia and Indonesia, and between Asean and the US.

Dr Mahathir Mohamad, Malaysian prime minister, has argued that the Apec will be dominated by the US, and he differed from his Asean colleagues by bluntly refusing to attend an Apec summit planned by President Bill Clinton in November.

The US has opposed the Eaec, and persuaded Japan and South Korea not to join, on the grounds that it could become a protectionist trading bloc. Japan, which has said that it cannot make a decision on the EAEC until Asean has reached a consensus, will now face pressure from Malaysia to join the caucus.

The Asean compromise, however, is a confused one, since it suggests both that the Eaec will have an independent existence, guided by Asean economic ministers (the Malaysian position), and that the Eaec will simply be a caucus within Apec (the Indonesian position).

Mr Gareth Evans, Australian foreign minister, welcomed the Asean compromise in that it "recognises the primacy of the Apec".

Seeking security in S E Asia

Victor Mallet examines Asean's plans to bring great powers closer to its members' political concerns in a post-Cold War world

SOUTH-EAST Asian countries have formally announced plans to bring together the US, China and Russia in an 18-member forum, to discuss political and security issues in Asia and the Pacific. This would be the first group of its kind in the region.

Foreign ministers of the Association of South-East Asian Nations (Asean) said in Singapore, at the end of their annual meeting, that the first gathering of the new Asean Regional Forum would be held alongside Asean's talks in Bangkok next year. A dinner for the 18 was held last night.

One reason for the new forum is the uncertainty after the Cold War and the withdrawal of US forces from the Philippines. Several Asian countries have embarked on weapon-buying programmes, often taking advantage of bargain prices in the former Soviet Union.

Mr Warren Christopher, US secretary of state, was lukewarm towards the idea of formal multilateral security talks when he arrived in Singapore on Saturday for discussions with his Asian counterparts.

"These dialogues will build upon, but will not supplant, our alliances and our forward military presence," he told reporters. "We are not reducing our forces in the region. We are in fact making them more effective."

Those expected to participate in the first formal round of security talks, in Bangkok next year, are the Asean states (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand), Asean's regular "dialogue partners" (the US, the EC, Japan, Australia, New Zealand, Canada and South Korea), as well as China, Russia, Vietnam, Laos and Papua New Guinea.


Warren Christopher and Qian Qichen meet in Singapore

Western and Asian diplomats say the participants will probably find common ground on such issues as piracy and maritime surveillance, but be more reluctant to agree to a regional arms register, to exchange information about their defence plans, or to adopt Asean proposals for a zone free of nuclear weapons.

The confrontation of China against Vietnam and Asean, over the disputed Spratly islands in the South China Sea, is one issue to be tackled in the security talks.

Mr Qian Qichen, Chinese foreign minister, dismissed the "China threat" in a speech to foreign correspondents in Singapore at the weekend: "China does not, and will not, impose hegemony and power politics on others and will not threaten or bully anyone."

He described reports of a Chinese military build-up as "rather fabricated" and said an airport built on the Paracel islands north of the Spratlys in 1988 was "to improve transport" and had nothing to do with military preparations.

Mr Andrei Kozyrev, Russian foreign minister, echoed the US administration's talk of a "new Pacific community" when he said his government saw Asia and the Pacific "developing into a sort of regional security community capable of efficient peace-keeping in accordance with the UN charter."

Aware that south-east Asian leaders are concerned at the possibility of China basing Russian bombers in the South China Sea, Mr Kozyrev gave assurances that Russia would not sell to Asian countries "purely offensive" weapons such as long-range bombers. "From now on, the main symbols of our presence here will be freighters instead of missile cruisers and joint ventures instead of nuclear submarines," Mr Kozyrev said.

Mr Christopher had his first encounter as Secretary of State with Mr Qian yesterday. He spent much of the 80-minute meeting discussing M-11 missile parts which, US officials say, China has sent to Pakistan. "We intend to continue to pursue this question very seriously," a senior US official said.

The two men also discussed US proposals for a comprehensive ban on testing nuclear weapons, and the problem of Chinese citizens being smuggled into the US by ship as illegal immigrants.

Prompted by the mainly Moslem governments of Malaysia and Indonesia, Asean said Bosnia-Herzegovina, scene of a civil conflict in eastern Europe, should be exempted from the UN weapons embargo on the former Yugoslavia.

Zulu leader presses hard for autonomy

By Patti Waldmeir in Johannesburg

CHIEF Mangosuthu Buthelezi, leader of the mainly Zulu Inkatha Freedom party, took his campaign for regional autonomy to new heights yesterday in an attempt to influence democracy negotiators who will today begin debating the first draft of a new constitution for South Africa.

He told a traditional gathering of tens of thousands of Zulus in Johannesburg that the African National Congress and the ruling National party aimed to destroy the Zulu kingdom, whose modern manifestation is the KwaZulu black homeland which he leads.

"How long can we be expected to give our blessings to the connivance which is obviously directed at obliterating the Zulu nation, both politically and physically from the South African map," he asked the crowd, many of whom carried spears and clubs.

The key issue of the powers to be granted to regional governments under a new constitution is likely to be the focus of today's debate, during which South Africans will get their first glimpse of a draft new constitution drawn up by technical experts.

The draft is of an interim constitution to be in force until an elected constituent assembly writes a final one.

It was not clear yesterday whether Inkatha would be present for the debate. It also seemed unlikely that Inkatha's tactical ally, the right-wing Conservative party, would attend.

Inkatha, KwaZulu's government and the Conservatives walked out of the negotiations on July 2 after 19 of the 26 participants agreed by "sufficient consensus" to set April 27 as the date for the first multi-racial elections. They insist that consensus on such a vital issue ought not to have been reached without them, and Inkatha has said "sufficient consensus" must be redefined to require its assent on issues of vital interest.

It has made clear that it will continue to participate in bilateral discussions on constitutional issues - indicating that *it has not broken completely* with the process of writing a new constitution – but the Conservatives have given no such assurance.

Democracy negotiators have made substantial concessions to Chief Buthelezi on regional autonomy, but his demand that KwaZulu lose none of its current powers until a new regional constitution is in place may be hard to swallow.

Debate on the draft constitution will further polarise political differences as South Africa reaches a crucial phase in deciding its future.

Senior Kenyan bankers quizzed

By Leslie Crawford in Nairobi

SEVERAL senior officials of Kenya's central bank are being questioned by police following a crackdown on corruption launched by Mr Musalia Mudavadi, the finance minister.

Nairobi newspapers quoted the director of criminal investigations, Mr Noah arap Too, as saying: "Investigations are on and a number of those bank officials are being questioned."

Following the resignation of the central bank governor, Mr Eric Kotut, on Friday, Mr Mudavadi announced that "intensive investigations" were being conducted within the institution and other local banks. "Prosecution of all persons involved in malpractices will follow," he said.

Mr Kotut was firm in his own defence, denying at the weekend that he had been responsible for bad management. "I have never in my entire service been associated with any malpractice or dishonesty," he said.

Last Friday, Mr Mudavadi withdrew the licence of Pan African Bank, the second local bank to be closed within a week. Exchange Bank, alleged to have been involved in forgery of export receipts to claim export rebates from the government, was shut last Tuesday. It is contesting the order.

Mr Mudavadi said the government would seek to recover interest owed to the central bank relating to interbank transactions and defaults in foreign exchange operations.

The minister's efforts to clean up the financial system strikes at the heart of Kenya's system of political patronage. International Monetary Fund officials, who have visited Kenya four times in as many months, have insisted that action be taken as a pre-condition for the resumption of balance of payments assistance, suspended in November 1991.

Sharp rise in Pakistani shares

By Farhan Bokhari in Islamabad

SHARES on the Karachi Stock Exchange yesterday recorded their highest rise on any single day this year. The KSE-100 index rose 44.63 to close at 1399.68.

The surge came amid expectations that last Thursday's devaluation of the rupee would improve textile profits by boosting exports. Almost a third of the 652 companies on the KSE are in textiles, which have suffered heavy losses over the past year.

The market was also lifted by confidence in Mr Moeen Qureshi, a former vice president of the World Bank who became interim prime minister last Sunday. He is expected to negotiate new loans worth \$2.5bn from a consortium at a Paris meeting in September and a \$1bn loan from the IMF under the extended structural adjustment facility.

Mr Amin Umer, a KSE broker, said he expected the momentum to continue. Other brokers echoed this, forecasting that bullish sentiment could continue until the run-up to the October elections.

Before leaving for Washington yesterday, Mr Qureshi denied reports that Pakistan was seeking a moratorium on its \$18.5bn foreign debt. He also denied that foreign exchange reserves had fallen sharply. "In the last few days, foreign exchange reserves have risen significantly," he said, without giving a figure.

A donor consortium meeting in April was called off by Pakistan after Mr Nawaz Sharif's government was sacked, amid fears that donors would not make fresh commitments because of concern over reversal of economic reforms.

But Ms Benazir Bhutto, the opposition leader, and Mr Sharif, the main contenders in the election, favour similar policies of free market reforms.

Nigeria's other head of state

Abiola is cultivating his image as a leader as he plays a wary game with the military ruler, writes Paul Adams

THE suppression of Nigeria's election result in June has transformed the image of Mr Moshood Abiola from business tycoon with a chequered career to champion of democracy.

President Ibrahim Babangida is an old friend of Mr Abiola, but when he barred him from becoming the next head of state, it was not intended as a favour.

However, the country's best known Yoruba has nevertheless achieved a rare feat in Nigerian politics: he has cut across tribal lines and become a focus of opposition to military rule even among people who did not vote for him and who did not expect him to make a good president.

The government's refusal to uphold the June election results has left the self-proclaimed president-elect as the rallying point for a civilian population tired of a military regime that, after eight years, seems to have run out of all ideas except how to stay in power.

Though less fortified than the president's palace in Abuja, Mr Abiola's house in Lagos is beginning to resemble the home of a head of state. Never a solitary man, Mr Abiola has been besieged by well-wishers since his unofficial victory was annulled.

Last Tuesday morning, he and his police escort returned from challenging the government at the Supreme Court to find the house besieged by groups of supporters, mainly from his home state of Ogun, near Lagos.

The excited Abiola fans were admitted through massive gates at intervals by security guards, turned out in smart replicas of the New York police uniform, right down to badge and truncheon. The impression of a state within a state continues at the entrance to his large-fronted modern house, where two gilded thrones are placed, one marked president, the other vice-president, in honour of Mr Abiola's running mate, Mr Babagana Kingibe.

Reuter

SWEATING IT OUT: Abiola awaits his chance to take office

The first group, women from Ogun state in traditional dress, danced and sang Yoruba songs outside the house for two hours until Mr Abiola emerged to acknowledge the adulation.

The women then made way for a larger and even more energetic crowd who also demanded the presence of their leader, holder of some 200 traditional chieftancies and former Africa director of the US multinational ITT.

The scene was a mix of traditional and modern, as drummers and dancers, carrying live fish and other gifts from their villages, shuffled past shiny new cars and guards with surveillance equipment.

Placards declared: "Babangida is a pharaoh, end military rule", "Conspiracy against Nigerian people", "International communities save us from dictatorship" and "We have elected our president."

"These days the chief's time is not his own," said an apologetic assistant, as Mr Abiola stood on a chair to address an equally large throng inside his house. By mid-afternoon the crowd, fed and refreshed, began to leave and their hero looked about to wilt.

"I just want to sleep," said the Social Democratic party leader as food was brought for him and 20 or so close friends.

During lunch, when the mobile phone was not ringing, he discussed his tactics.

Mr Abiola has abandoned passionate rhetoric for measured warnings against the dangers of violence.

He has dissociated himself from protests earlier this month in support of his presidency. These were organised in Lagos and other parts of the south-west by the Campaign for Democracy, but degenerated into a looting spree until the troops were sent on to the streets, leading to a number of civilian casualties.

Old charges against Mr Abiola, emanating from official circles, that he made his fortune dishonestly out of telecommunications contracts, have been followed since the elections by allegations that as a southerner he does not represent the nation, and even claims that he is a CIA agent and that he has already granted the US permission to base a submarine in Nigerian waters.

Mr Abiola has met the president twice since the elections but their positions remain irreconcilable. He denies that Mr Babangida believes his own propaganda. "The problem is that he just doesn't want to give up power."

But what is his strategy if on August 27 – the target date for handover to civilian rule – Mr Babangida is still president?

"My role is to give leadership, and that will come in due course," he said.

He has repeated his stand against violence yet remains equivocal. "Those who make peaceful protest through the courts impossible will render violence inevitable," he said.

He has also denied that he wants to split Nigeria by declaring himself president of the south.

Mr Abiola's latest ploy, seeking justice through the courts, always looked a long shot. In the end the trip to the Supreme Court proved futile because the government has decreed that the judiciary has no power over the government's transition programme.

From his seat in Lagos, Mr Abiola's position within his own party is unclear and the government still retains the support of the armed forces. President Babangida is said to be a shrewd poker player. Mr Abiola may be wise not to show his hand until he picks up an ace.

China worried by spate of air crashes

By Tony Walker in Beijing

SIX serious air crashes in less than 12 months have cast a shadow over China's aviation sector, just as it is seeing a boom in passenger traffic and a proliferation of new airlines.

Last Friday's accident in which a BAe 146 operated by China Northwest Airlines ploughed into a lake on take-off seems certain to add to pressures on authorities to improve safety standards.

The crash killed 55 of the 113 passengers and crew, and many survivors were badly injured.

Shanghai-based Eastern Airlines, one of China's largest regional carriers, has announced that it is to buy nine Airbus airliners: five A340s and four A300s. The A340s will be delivered between this year and 1997. Eastern Airlines has five Airbuses in service: two A310s and three A300-600Rs.

The accident at Yinchuan, west of Beijing, happened just days after Mr Jiang Zhuping, head of the Civil Aviation Administration of China, the country's regulatory agency, announced the Chinese would freeze approvals for new airlines because of safety concerns.

From one airline just five years ago, China now boasts at least 35 carriers, with a number of pending applications. In 1992 passenger traffic grew 33 per cent and is expected to surge 20 per cent this year.

Since July 1992, when a Soviet-made Yak-42 transport exploded and crashed at Nanjing airport killing 106 people, China's skies have proved anything but safe. A spate of aircraft and helicopter crashes have left a death toll of over 300 and badly tarnished China's air safety record.

The Chinese authorities have not speculated on the cause of Friday's crash in the Ningxia region, a popular tourist destination because of its proximity to the Great Wall.

Sensitive to negative publicity, China has sent a senior official, Vice Premier Zou Jiahua, to the crash site and to the local hospital to visit the injured.

In London, British Aerospace said the company would send investigators to the site but had no reason to believe there was any fault with the aircraft. The BAe 146 was one of a fleet of about 16 delivered to China since the mid-1960s.

NEWS IN BRIEF

S Korea, Taiwan patch-up fails

TAIWAN and South Korea have cancelled the signing of a pact restoring unofficial ties broken off when Seoul switched recognition to Beijing last August, Reuter reports from Taipei. Disagreement over key issues is blamed.

South Korea's foreign minister, Mr Han Sung-joo, said most principles had been agreed for restoring relations, but he was not optimistic about reaching a complete agreement soon.

Taiwan said last August it was cancelling all trade privileges extended to South Korea, but trade has continued to grow, to \$1.89bn in the first half of 1993 from \$1.72bn in the same period a year earlier.

Rao to face confidence vote

The Bharatiya Janata Party, India's largest opposition party, will move a no-confidence motion against Mr Narasimha Rao's government in parliament today, the first day of the monsoon session. The motion is supported by other opposition parties, writes Shiraz Sidhva in New Delhi.

The opposition is seeking to remove the prime minister on grounds of corruption and the Congress (I) party's possible involvement in the Rs50bn (£1.1bn) Bombay financial scandal, the "failure of economic policy", and the government's failure to heal communal and ethnic divisions.

Mr Rao has faced and survived two other such motions during his two years in office.

North Korea says output up

Gross industrial production in North Korea rose 12 per cent in the past two months compared with the same period last year, according to the official Korean Central News Agency, Reuter reports from Tokyo. Output of coal, electricity, steel, chemical fertilisers, cement, timber, mining equipment and consumer goods increased sharply, it claimed.

Tamil Tigers raid army posts

Tamil Tiger rebels have raided three army outposts in villages in northeastern Sri Lanka, killing 15 soldiers and 15 Sinhalese civilians, the government said yesterday, AP reports from Colombo. Helicopter gunships had later destroyed two trucks carrying about 500 attackers, it added. The attack was the second over the weekend.

Spring fears select committee would alienate catholics in N Ireland

Dublin issues warning to UK

By Alison Smith

MR DICK SPRING, the Irish deputy prime minister, yesterday warned the British government not to set up a select committee of MPs to consider the future of Northern Ireland, suggesting such a move at Westminster would alienate catholics in the province.

His comments came amid continuing speculation that the government reached an informal agreement last week with the Ulster Unionists, the Northern Ireland party which is determined to preserve the province as part of the British Isles.

The party's nine MPs backed Mr John Major in the critical House of Commons votes on the social chapter of the Maastricht treaty, having made it clear they expected changes to restore "accountable democracy" to Northern Ireland.

Mr Spring said the Irish government had to take notice of the assurances from Mr Major and Sir Patrick Mayhew, the Northern Ireland secretary, that the British government had not reached a deal with the Ulster unionists (UUP).

He underlined, however, the need to ensure that events at Westminster over the past few days "should not cause any further difficulties for Anglo-Irish relations".

"At this stage it would be unwise to start addressing this problem on a bit-by-bit basis. The only way is by bringing about an overall agreement acceptable to both communities," he said.

"This will involve compromise, hard decisions and hard choices. And I don't think anything should be done in the meantime, like, for example, setting up a select committee."

The terms of the understanding between the UUP and the government are clouded. Both say there has been no formal agreement, but the UUP believes there are longer-term benefits from backing the government.

The Democratic Unionist Party, a separate group which has advocated more radical policies in Northern Ireland and has condemned the British government's relationship with Dublin, voted with the opposition on Thursday.

Ministers know they cannot count on the Ulster Unionist MPs to support them on every issue in the future – boosting the government's overall majority of 18.

While the Tories' current unpopularity continues, however, the government can be reasonably sure that the UUP would not wish to precipitate an election, with the prospect of a Labour government.

Unionists in both parties have been particularly angered by a Labour discussion paper setting out a number of ways the objective of "unity by consent" might be achieved, including joint Anglo-Irish sovereignty of the province.

Labour has disowned the paper, which leaked out almost a month ago, declaring it "invalid". But Mr Kevin McNamara, the party's nationalist northern Ireland spokesman, remains in post.

● Ten civilians and seven police officers were injured yesterday during a riot in Co Tyrone, Northern Ireland.

The security forces fired baton rounds and police said one of its members fired a warning shot from his pistol when he was attacked by a crowd in Dungannon which hurled bottles and stones at a patrol. Six people were arrested.

Sheehy backs overhaul of police pay

By Alan Pike, Social Affairs Correspondent

VERY FEW police officers are likely to have their careers "abruptly terminated" if fixed-term contracts are introduced by the government, Sir Patrick Sheehy, chairman of the committee recommending the change, says today.

Writing in today's Financial Times, Sir Patrick – also chairman of BAT Industries – defends his committee's radical proposals for changes in police pay and conditions and criticises the reception they have received within the service. He accuses the Police Federation, which represents the majority of officers, of having been long on emotion and short on factual content in its response.

The Sheehy committee's proposals – which include fixed-term contracts, performance related pay and abolition of three ranks – have drawn opposition from all the police staff associations.

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Companies criticise EC's single market tax reform

By Charles Batchelor

CHANGES to the rules governing Value Added Tax have yielded no benefits for UK companies in the six months since the reforms were introduced as part of the European single market, according to a survey by accountants Price Waterhouse.

Most companies said they had not gained from the new rules – which were designed to improve efficiency in areas such as transfering goods across the European Community – because of drawbacks including requirements to report trade data.

The abolition of customs border checks on January 1 meant companies have since had to record their own VAT information and compile their own trading records. Smaller exporters and importers must file quarterly trade figures to customs while larger traders must make monthly returns.

Customs & Excise calculated the changeover would cost UK business £100m in the first year but lead to net annual savings of £135m thereafter.

Government plans to levy Value Added Tax on domestic fuel have posed a dilemma for ministers who are said to be at a loss how to compensate all those needing state aid to pay the charges. Ministers have told officials to go back to the drawing board to find a solution. The compensation package for people who are just ineligible for income-related benefits is thought to be the the key to securing public acceptance of the new tax.

The survey showed 68 per cent of companies questioned were financially worse off than they were before. The biggest single difficulty was the completion of the trade statistics.

The second area of complaint was over the changes companies had to make to their computer systems to take account of the new rules.

Mr Mike Arnold, VAT partner at Price Waterhouse, also said transport companies did not appear to be passing on to their customers the benefits of faster transport times either in their schedules or the prices they were quoting.

There were also difficulties in dealing with some other states, notably France, Italy and Spain. Some countries insisted on foreign companies registering locally for VAT while UK companies had encountered problems in obtaining VAT registration numbers of customers in these countries.

Forty six per cent of the UK companies interviewed said they were not looking forward to the prospect of a second round of VAT changes, intended to simplify the system, planned for 1997. Only 30 per cent were in favour of the next round of changes.

Price Waterhouse interviewed nearly 50 companies to which it had provided VAT advice in the run-up to the single market.

Britain in brief

House prices forecast to rise by 8.5%

UK house prices, one of the country's main economic indicators, will rise a further 8.5 per cent by the end of 1994, according to the National Westminster Bank.

The bank's economic forecasts published next month expect East Anglia, the East Midlands and Wales to grow faster than the rest of the UK, and Greater London to lag behind. The same picture is painted by Business Strategies Ltd, a leading economic forecaster, in its latest regional forecasts published today.

According to a preview of the National Westminster's national and regional forecasts, which are published next month, most of the rise in house prices – 7.5 per cent – will come in 1994. Mr David Kern, chief economist, says that the second half of 1993 will see only a "modest" increase in prices of some 0.9 per cent, after a 3 per cent rise in the first six months.

Pay deals exceed inflation

Pay settlements have bottomed out but are still well ahead of inflation, according to Incomes Data Services, the pay analyst.

The latest pay chart from IDS, incorporating settlements to July, shows little change from the trend that has emerged over the past four to five months – with private sector pay increases mostly ranging between 2 and 4 per cent. Inflation at present is 1.2 per cent.

Newport loses Colt contract

South Wales' Newport Docks is losing the contract it has held for nearly 20 years as the import centre for Mitsubishi vehicles. Colt Car Company, the Mitsubishi importer, is setting up a centre at Bristol's Royal Portbury Dock capable of handling 11,000 cars and vans a year. Colt says the move was forced by shippers' increased use of ships too large for Newport.

US subsidiary for motor group

The Motor Industry Research Association has formed a US subsidiary, MIRA Services Inc, at Livonia, Michigan, close to the major North American vehicle producers. It plans to exploit consultancy engineering and research opportunities in North America.

Tax risk for soccer clubs

Some UK soccer clubs could be pushed to the brink of bankruptcy as a result of an Inland Revenue review of their tax affairs, according to a report by Touche Ross, chartered accountants.

The report says that clubs could face demands for back tax and fines costing several hundreds of thousands of pounds. Clubs often run into difficulties with the Inland Revenue when they make cash payments to players and managers or when they pay signing-on fees which the player waives with a corresponding payment into a pension scheme by the club.

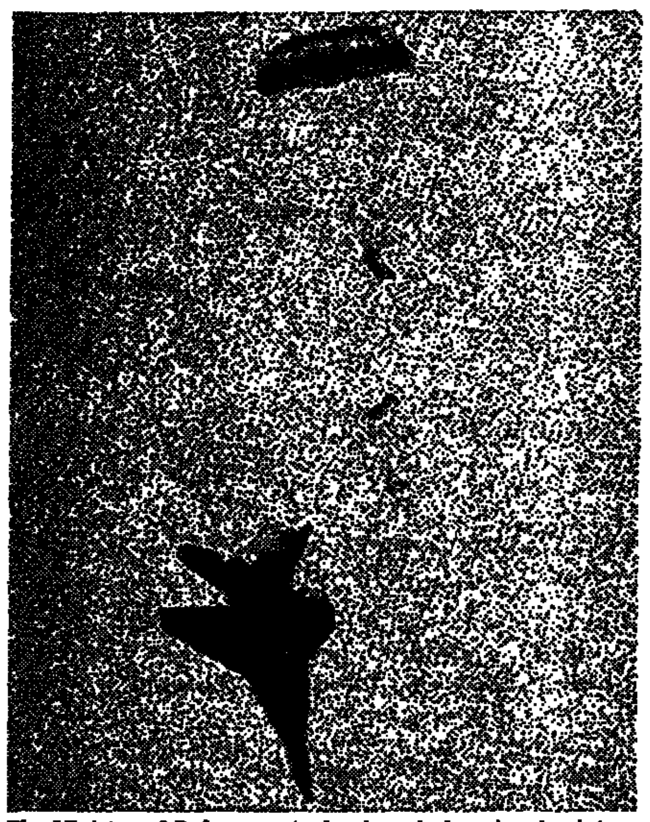
Busily employed

The Employment Service, which runs Jobcentres, helped more than 1.42m people into work in 1992-93, a record number, according to its annual report.

Unions face complaints

Complaints by trade union members against their labour organisations rose to a record level last year, said the The Commissioner for the Rights of Trade Union Members.

A total of 473 inquiries were received, up from 345 the year before. There were 50 formal applications for assistance and 11 complainants were granted support to enable them to take legal action.



The Ministry of Defence yesterday launched an inquiry into a mid-air collision at the weekend between two Russian Mig-29 jets at Fairford, western England. Both pilots ejected safely before their aircraft, worth up to £18m each, crashed at the International Air Tatoo. There were no casualties on the ground

Diane Summers reports on new findings that examine the way the sexes rate male and female managers

Perceptions of leadership

Women prefer a female boss; men would rather work for men. Female managers are not seen by their male subordinates as acting in an authoritative manner.

Both male and female managers are considerably less effective in the way they manage than they would like to imagine.

Evidence that all these provocative-sounding assertions may be true comes from research carried out over the past few months in Britain's National Health Service but with implications for managers of both sexes and in all sectors.

The unpublished study is believed to be one of the first of its kind.

Trent Regional Health Authority covers one of the largest geographical health regions in the UK – South Yorkshire, Lincolnshire, Nottinghamshire, Derbyshire and Leicestershire – and a population of 4.5m. There are 75,000 staff in the region, 85 per cent of whom are female.

In common with the rest of the NHS, Trent is staffed mainly by women but run by men: just 11 per cent of general managers and chief executives in the region are female.

As part of the employer-led equality drive Opportunity 2000, the health service overall has a government target of increasing its proportion of female general managers from 18 per cent in 1991 to 30 per cent by 1994.

To meet these tough targets (some would say they are unrealistic, given the recession and low staff turnover) specialised training for potential women managers is being examined throughout the NHS.

Trent asked Hay Management Consultants in January this year to investigate what women's training needs in the region might be, first establishing whether there are any differences in the way men and women operate as managers. This hotly debated area is normally characterised by generalisation and anecdote – scientific research on men and women as bosses is thin on the ground.

What Hay did was to question male and female managers about how they thought they operated and then, revealingly, to ask those managers' subordinates what they thought of the way their bosses managed.

At the same time, the "organisational climate" – perceptions about the quality of the working environment – was charted and linked to the findings on management style.

Climate takes into account the strength of working relationships, pride in the organisation, how far individuals feel they are given real responsibility and rewarded for performance, and the extent to which challenging but clear and realistic goals are set. Previous research has shown there exists a strong link between a positive climate and good individual performance.

A total of 15 male and 20 female middle managers completed questionnaires about how they saw their own styles, while 191 staff, male and female, answered questions about their bosses. About the same number of staff filled in the organisational climate survey.

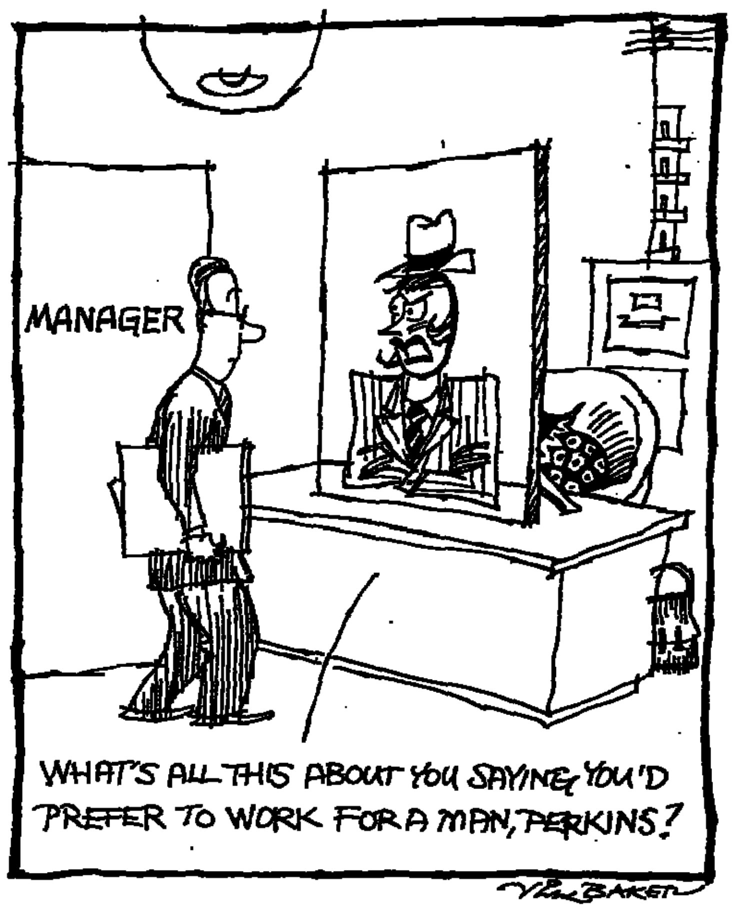
All managers thought they were high on authoritative, affiliative, democratic and coaching styles – a view not matched by their subordinates, who perceived them as being more coercive and pace-setting than the managers imagined themselves to be.

The styles which produced the highest-quality climates were authoritative, democratic and coaching; pace-setting and coercive styles produced the worst. As Hay concludes in its report to Trent "in practice, managers are using the least effective styles more than they think".

Another finding was that reporting to a manager of the same sex appeared to produce a more positive climate for both male and female subordinates.

There were only marginal differences in the way male and female managers saw themselves. However, the picture was entirely different when it came to the way subordinates of different sexes rated male and female bosses.

Most strikingly, men did not rate their female managers as acting in an authoritative manner, although women did see their female bosses as using this management style.



What the men saw was their women managers using the pace-setting style. To compound matters, pace-setting had a more negative effect on organisational climate when used by women than when men employed it.

As Hay points out, this difference may be accounted for by differing male and female perceptions of women managers, or it may be that the women were treating male and female subordinates differently.

Whatever the reason, concludes the research, "the styles that female managers use are not working as effectively with their male subordinates. The men do not see female managers doing such things as giving clear directions, explaining decisions and monitoring task performance. The authoritative style is an effective and important one. If women are not seen as using it by men this may not only affect their team's effectiveness but could influence their visibility with colleagues and bosses".

Specialised management training for women, using the Hay findings, may now be developed by Trent. The research has also revealed the scope that there is for managers of both sexes to increase their repertoire of management styles and, for men in particular, to learn from their female colleagues more about how to be effective in coaching their subordinates.

What type of boss are you?

Hay uses its own management style definitions – variations are used by other researchers. The styles are characterised as:

- Coercive: do it the way I tell you. Provides clear direction; does not listen; expects immediate compliance; controls tightly, requiring many detailed reports; gives negative feedback; motivates by threats of discipline or punishment.

Effective in a crisis but ineffective over the long term because subordinates are not developed. Ineffective with higher-level technical and professional staff.

- Authoritative: firm but fair. Gives clear directions tactfully; listens to others' ideas; explains directions and decisions in terms of subordinates' or the organisation's interests; monitors performance; gives positive and negative feedback.

Effective in large, complex organisations; when clear directions and standards are needed and when the manager is seen as an expert. Does not work when manager does not develop subordinates.

- Affiliative: people first, tasks second. Has no clear goals or standards; most concerned with personal popularity; wants to keep people happy; rewards for personal characteristics, rather than job performance.

Style works when work is routine and subordinates perform adequately, or when conflicting groups or individuals need to be brought together. Ineffective when people not performing well, or clear direction needed.

- Democratic: participative. Trusts subordinates, rather than supervising closely; makes decisions by consensus, holding many meetings and listening; rewards adequate performance but rarely punishes.

Effective way of managing when subordinates are competent, well-informed, need co-ordinating. Can have drawbacks in a crisis or when subordinates not competent.

- Pace-setting: "do it myself". Leads by example, has high standards but trouble delegating. Coercive when performance is poor and does not develop others. Lone wolves, provide little co-ordination or social support.

Style works when subordinates highly motivated and competent. Not as effective when delegation needed, or when subordinates need development and co-ordination.

- Coaching: developmental. Managers see job as showing subordinates how to improve. Get them to set their own goals and identify solutions to problems. Style is effective when subordinates want to develop. Does not work as well when manager lacks expertise or when subordinates need direction, or in a crisis.

How to stand out in a crowd

Kate Button on getting yourself noticed in the jobs market

If the 1980s were years of "boom and bloom" in the US, the 1990s look like being chronicled for their "doom and gloom".

With more than 9m unemployed in the US (approximately 7 per cent of the workforce), redundancy victims are adopting new tactics to increase their chances of re-entering the diminishing permanent job market.

"Think portfolio," urges Marty Nemko, a career consultant and radio presenter based in Oakland, California. He advises jobless clients to discard their old curriculum vitae. In its place he prescribes a marketing document which pieces together only specific projects and experience directly relevant to the position the candidate is seeking.

Since applicants can be up against anything from 500-800 competing hopefuls for a single position, "make your application applicable and unique", says Nemko.

His recipe for an effective portfolio includes a variety of marketing tools. For a teacher that might incorporate a lesson plan, a video tape of the candidate in action, samples of students' work and a superior's evaluation of the project.

"Old-type *resumés* are archaic and Neanderthal," says Nemko. "Employers view them as puff pieces of propaganda. They bear no relation to the job at hand."

Keith Copeland, manger of employment at Apple Computer, agrees that applicants should try to stand out. He recommends a one- or two-page CV highly tailored to the job on offer. "Be focused. Make an impact. Show you have understood the position and demonstrate how your skills and your experience relate."

The portfolio approach worked for 48-year-old Carolyn Stull, who was forced to look for a new job in 1991.

"When I first began my job search I came across many companies who 10 years ago would have been interested in me. But whereas in the past they might have accepted a candidate with 80 per cent of the required job skills, today they can get a specialist on board with all the required skills."

Stull's initial lack of success incited her to begin her own business as a freelance grant writer, pairing organisations requiring project finance with fund donors. Once she had handled several projects independently she was able to craft her own portfolio CV with summarised case studies taken from her own experience. The result was an executive directorship with the California Foundation for the Retarded.

With thousands more applicants than vacancies, employers can afford to demand specific skills, thus paring out the middle management generalists.

Lee Harris, director of employment at the Bank of America, finds that the pool of redundant resources on the market has reduced the bank's entry-level recruitment programme. "Whereas we would have brought in people to train them up, now we can hire individuals with all the required skills immediately," says Harris.

With only 15 per cent of redundant workers presently expecting to be recalled to their former field of employment, compared with 40 per cent following past recessions, victims of America's downsizing have a big challenge on their hands. "Think job light. Accept change as a friend. And don't take yourself too seriously," advises management guru Tom Peters, from his Vermont-based office.

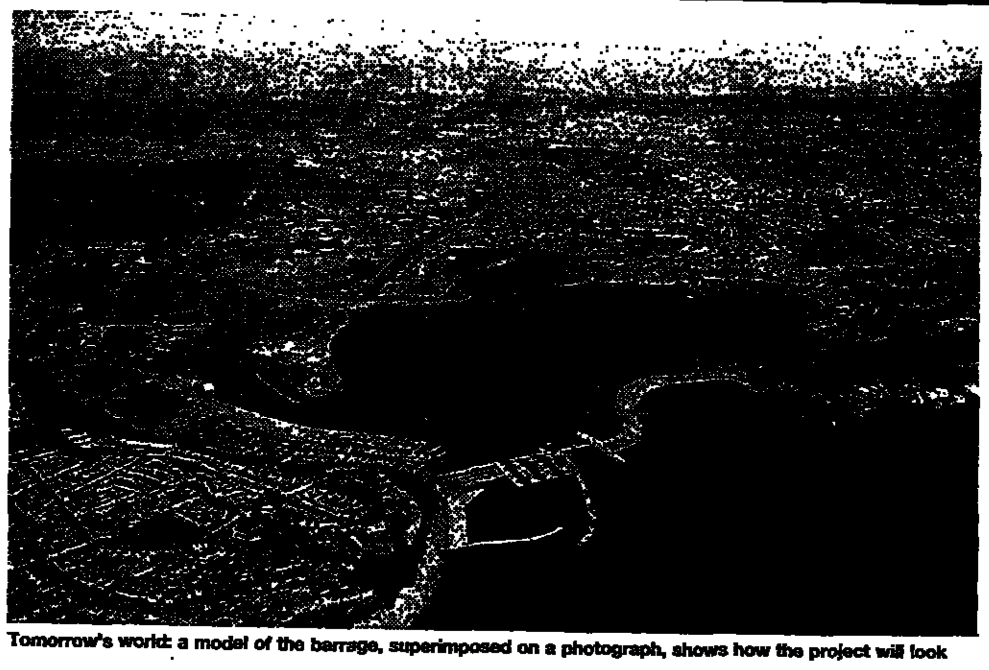
Consultants urge candidates to consider lower-salaried positions, to add to their skill base and retrain on to leading-edge technology. Time out of employment should be used to undertake voluntary or part-time work which is job related and can be added to the *resumé*.

"And, of course, network," urges Robert Chope, a psychologist and director of the Careers and Personal Development Institute in San Francisco. "Use people as you have never used them before. Tell the clerk in the supermarket, the teller at the bank that you are looking for a job. It's nothing to be ashamed of these days."

FINANCIAL TIMES SURVEY

CARDIFF BAY AND THE BARRAGE

Monday July 26 1993


Tomorrow's world: a model of the barrage, superimposed on a photograph, shows how the project will look


So much to do: Sir Geoffrey Inkin, chairman of the development corporation, in front of the bay as it looks today

Picture: Tony Andrews

'A Covent Garden by the sea'

Despite strong opposition, approval is expected early in the autumn for one of Europe's most ambitious development projects, writes **Anthony Moreton**. Now comes the task of finding the necessary investment

WHEN ROYAL assent to the private bill allowing construction of a barrage across Cardiff Bay has finally been received later this year, the multi-million pound development of the Welsh capital's docklands, one of the biggest investment projects in Europe, will at last begin.

Workmen will then move in to make the first investigations for what Sir Geoffrey Inkin – chairman of the Cardiff Bay Development Corporation since it was set up six years ago – describes as "probably the biggest development job in Britain now that work on the Channel Tunnel is ending."

The barrage, which will impound a 500-acre freshwater lake large enough to play host to Olympic rowing events, will unlock some eight miles of waterside development potential.

"We are going to build a capital to grace the 21st century," says Inkin. "The regeneration of Cardiff Bay is one of the most ambitious projects of its kind in Europe."

"The period of preparation and planning will be behind us. The next step will be to produce something tangible," adds Michael Boyce, chief executive of the corporation, adds.

It will be at least three years before the barrage, which is likely to cost around £140m, is in place, but within 12 months Boyce predicts enormous changes in an area which, before the first world war, was known as Tiger Bay, hinterland of the greatest coal-exporting port in the world.

New buildings are already rising. A home for the Welsh Health Common Services Authority is approaching the fitting-out stage, and work has started on a new headquarters for the Dutch group, NCM Insurance Services. Both are on land owned by Grosvenor Waterside, property arm in Cardiff of Associated British Ports. International architects Holder Mathias Alcock have converted an Edwardian building for their own use, while a hotel, houses, restaurants, offices and small industrial units are all up.

By this time next year, Boyce forecasts, a start will also have been made on the Butetown link, an avenue the width of the Champs Elysées, which will join the docks to the city centre; a university complex which will eventually house 3,000 students; and one of Harry Ramsden's world-famous fish-and-chip restaurants, as well as lesser fry.

Much of the impetus is expected to come from the tourism and leisure facilities that will be created in the bay area. A new home for National Techniquest, a hands-on science discovery centre, should also be approaching completion in a year's time, the Rainbow Theatre and the Sky Shuttle will arrive from the 1992 Ebbw Vale Garden Festival site, a start should be made on a county cricket ground, and supermarkets will be under construction, as well as a £100m marine haven.

Work should also have begun on improving the city's central station, the orientation of which will be changed so that it has frontages to the south - the bay area - as well as to the north into the traditional city centre.

There are plans, too, for an international opera house. When Nicholas Edwards (now Lord Crickhowell) launched the idea of redeveloping Cardiff Bay in a local hotel in December 1986, he emphasised the need for a centre for the performing arts. He wanted a building to compete in eye-catching design with Sydney Opera House. With the Welsh National Opera Company as the resident company he also wanted a house which could rival Covent Garden, the Met or La Scala.

Such a scheme needs government financial backing. While the Welsh Office has still to spell out its commitment, it has given tacit backing to an architectural competition, the result of which should be announced in 12 months' time.

Not everything has gone smoothly over the past seven years. Opponents of the barrage have caused delays which, at one time, threatened the scheme. Their case has centred on environmental issues, in particular the loss of valuable breeding grounds for over-wintering birds, and on groundwater problems in neighbouring areas of the city as a result of the rise in the water-table behind the barrage.

Rhodri Morgan, a Cardiff Labour MP, organised a campaign of harassment in parliament, proving that the day of the constituency member was far from over.

He exploited two important issues, bringing about the collapse of the first bill and forcing the government to come to the rescue and put it through parliament a second time. Morgan drew attention to the fact that up to 11,000 houses could be affected by a rise in the water-table as a consequence of the creation of the lake behind the barrage. This was a highly sensitive issue in a city that has suffered flooding several times as a result of a rise in the Taff, which, with the Ely, is one of two rivers that pour out into the bay.

He also worked with the Royal Society for the Protection of Birds in a campaign to prevent the destruction of a site of special scientific interest, which was home for several species of rare birds.

The bill's opponents also disputed the development corporation's forecast that 25,000 jobs would be created over the next 10 to 15 years, argued that estimates of 4-5m sq ft of office space being built were pie in the sky. They suggested, too, that the £140m cost of the barrage was an underestimate, and challenged cost-benefit analyses prepared for the project.

Inkin's team had produced an economic report which suggested that the barrage would add £119m in net value, from new building and other economic activity, and had asserted that, if it were not built, investment totalling £153m would flow out. The benefit from having a barrage was, therefore, put at £272m.

Inkin has always maintained that Cardiff Bay, in Europe second only in development potential to London's docklands, could go ahead without the barrage. Equally, he has insisted that the barrage is essential to unlock the full benefits.

Time will prove or disprove the accuracy of the estimates. The argument, however, should soon be over, and as a result of the parliamentary sanction now obtained, Cardiff will have its barrage by 1996.

The first steps towards putting the city on the international map, so as to attract the investment that will be needed if this dream is to be fulfilled, have already been taken. On May 18, Cardiff Bay launched its latest marketing campaign, before an invited audience in the City of London. The Princess of Wales was there, as, too, were members of the Welsh National Opera Company. Welsh artists Shirley Bassey and Sir Anthony Hopkins sent messages of support.

"We want the rest of the world to know about Cardiff," says Boyce. "Our strategy is to build the bay and Cardiff, which we see as one city, into a leading centre for tourism and leisure pursuits. With a new home for National Techniquest, an extension of the National Museum of Wales's industrial and maritime building at Pier Head, with the opera house, and with new restaurants and festival shopping, the bay can be a grand Covent Garden by the sea.

"But Cardiff Bay will not just be about attracting 2m visitors a year by the turn of the century. Our strategy envisages strengthening the financial services sector, the growth of which has been a feature of recent investment in the city. We also want a strong manufacturing centre, especially in food, electronics, pharmaceuticals and the media. Cardiff is already the most important television production centre in Britain outside London, and we want to develop and expand that strength."

Efforts to attract investment will be focused within Europe on the so-called "motor" regions, such as Baden-Württemberg, Rhone-Alpes and Lombardy, the economies of which are growing rapidly; on north American cities such as Baltimore and San Francisco; and on Korea and Taiwan.

"And on Australia," adds Boyce, "our research has shown that New South Wales alone has 200 companies which are too large to operate internationally from the state. They could expand comfortably from old South Wales."

The opposition: **Anthony Moreton** tells how concessions were secured

Anxiety over risk of floods

A LONG battle has taken place to prevent the barrage being built, a campaign which came near to succeeding. Opponents, though few in number, fought the hybrid bill necessary to sanction the barrage tenaciously through both houses of parliament almost line by line and caused considerable delays to its implementation.

Such a parliamentary measure has been necessary because navigational and other water rights were involved, as well as others involving different government departments and local authorities. Private bills can only be introduced into parliament on one day in the year, late in November, and if there are too many of them on the same day some are lost and have to wait a further year to be represented.

The barrage bill did not fail on this count, but it was soon evident that a number of people, both in Cardiff itself and elsewhere in Wales, were opposed to the scheme. Most of them owned houses alongside the Taff, the city's main river, and feared the lagoon created by the barrage would affect the water table and cause flooding when abnormal amounts of water came down from the mountains of upper south Wales.

Even without the barrage impounding water, they had suffered from flooding several times in the recent past. It was claimed that as many as 12,000 houses could be affected by any rise in ground-water levels.

There were also environmental issues. Several rare breeds of birdlife, especially dunlin, redshank, curlews and shelduck use the bay, which is a site of special scientific interest (SSSI), as feeding grounds. The Royal Society for the Protection of Birds became concerned and joined the opponents. The numbers of these birds are not large – no one put the figure above 50,000 – but they caused problems out of proportion to their numbers.

There were, too, other environmental issues which brought Friends of the Earth into the fray. As recently as last February, it was saying that if the barrage were to be built there could be water pollution problems leading to growth of poisonous blue-green algae, proliferation of midges and creation of an environment leading to the potential for spread of leptospire bacteria. "The people of Cardiff do not want the problems of damp, midges, algae or Weil's disease," they argued. They also urged that SSSIs, such as Cardiff Bay, needed to be extended, not reduced.

The bill's reference back to the Welsh Secretary probably added at least a year to its passage

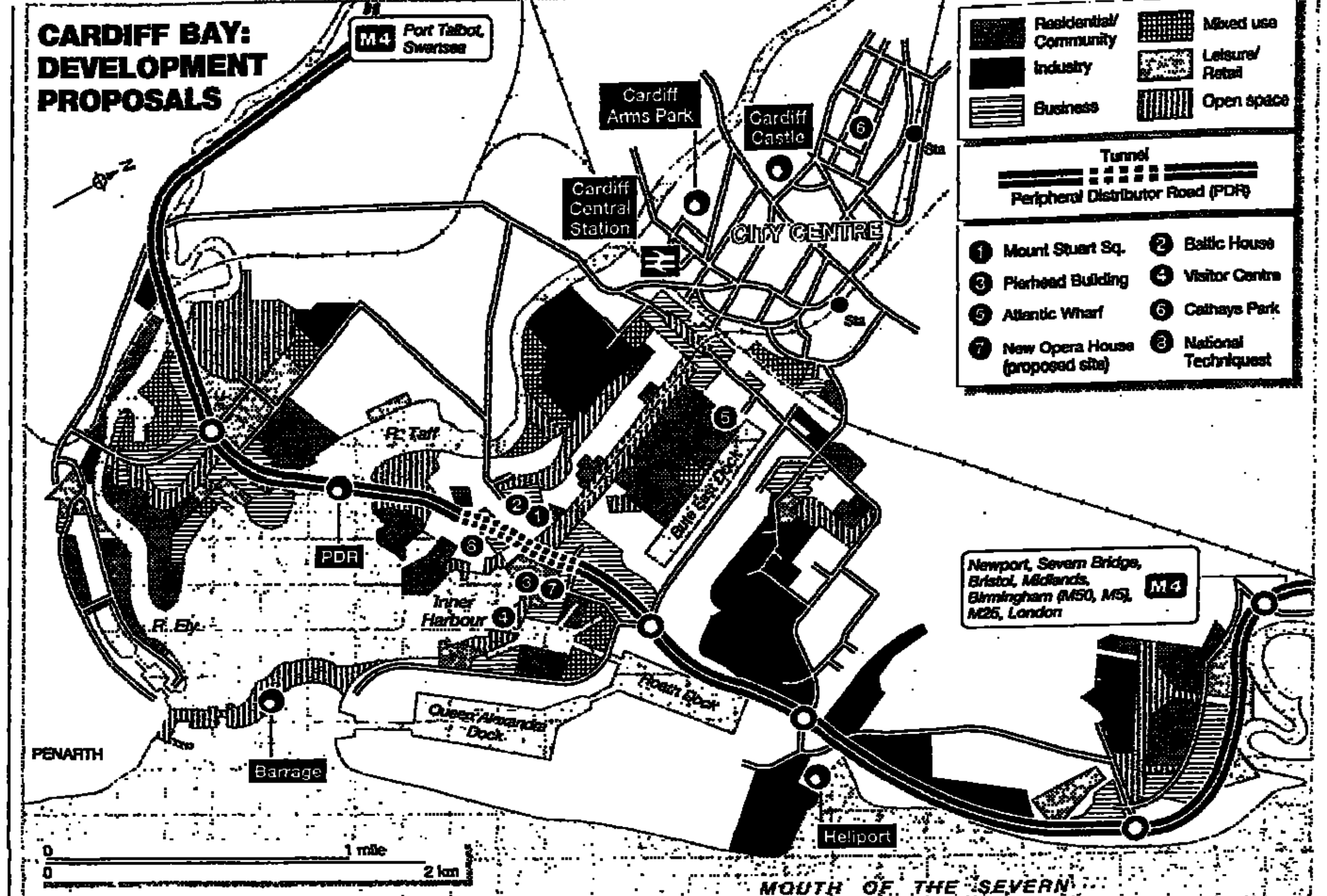
These fears prompted a small group of Labour MPs, headed by Rhodri Morgan (Cardiff West), to mount a highly effective sniping campaign during the passage of the bill. Mr Morgan's constituency does not actually cover the bay itself – it is an irony that his Labour colleague Alun Michael (Cardiff South and Penarth), who does represent the bay, has all along been a strong supporter of the scheme – but, as many of the complainants worried about water-table levels do live in his constituency, he had good grounds to lead the opposition.

He was backed by a few other Labour MPs, and by Plaid Cymru, the Welsh nationalist party, which advocated that any government money spent on projects in Wales should be shared geographically across the country rather than concentrated in Cardiff.

The opponents secured a series of concessions. In the spring of 1990 they persuaded a Commons select committee to pass the bill back to the Welsh Secretary on a technicality, a move that probably added at least a year to the bill's passage.

Almost exactly a year later, Mr Morgan and his supporters won their greatest parliamentary triumph by talking the bill out in the Commons following an all-night sitting lasting 13 hours. The private bill was dropped and the government picked up the measure and began the long journey to royal assent all over again.

That success, in April 1991, is the last main victory to fall the way of the opponents. They have won important concessions along the way since then, but the bill is now expected to receive royal assent either before parliament rises for the summer or immediately the session resumes in the autumn.



The salmon may be coming back

THE BARRAGE has to cope with some of the greatest tidal ranges in the world, **writes Anthony Moreton**. The difference between high and low water in Cardiff can be as much as 14m (about 45ft), putting the city's docks into the same bracket as Bombay and a few other very deep-water ports.

The Severn estuary is noted for its salmon. The Usk, which comes out at nearby Newport, and the Wye, which emerges a little further east at Chepstow, where the present M4 motorway bridge crosses the river, are among the finest salmon rivers in Britain.

Salmon, though, are not yet an attration in Cardiff's rivers. The Taff, the Ely and the Rhymney, all of which flow into Cardiff Bay, have been far too polluted to attract the salmon, or most other lesser fish.

But there is evidence of salmon reappearing, and the 1,100m-long barrage will incorporate the biggest fish pass in Britain.

Other features in the barrage include:

- 800m of sand and rock embankments.
- Five main sluice gates.
- Three navigation locks.
- Three bascule bridges.
- An outer harbour, requiring 370m of wave-screen breakwater.

In addition, the construction experts estimate there will be:

- 1,700,000 cubic metres of dredging.
- 1,500,000 cu m of sand fill.
- 300,000 cu m of rock fill, armour and scour protection.
- 140,000 cu m of structural concrete.
- 20,000 tonnes of steel sheet piling.

All this adds up to the largest construction project of its kind in the UK this century, according to consulting engineers, Sir Alexander Gibb and Partners.

The ecology: migrant birds are to be given a new stopover

Flights diverted to Llanwern

THE FATE OF the birds which have used the tidal estuary of the bay as a staging post on their annual migrations has been one of the most contentious aspects of the barrage.

The bay, a site of special scientific interest for its avifauna, is home to thousands of over-wintering birds, which feed principally on the invertebrates living on the large area of mudflats exposed at low tide. These creatures themselves feed partly on sewage, emptying into the bay and carried there from other parts of the Severn estuary by the tide.

Up to 40,000 dunlin, 3,650 curlews, 2,000 redshank and 2,300 shelduck feed there, with the winter months between November and March particularly important for them. Other waterfowl and invertebrates also inhabit the area.

The Royal Society for the Protection of Birds, Friends of the Earth and others have been unhappy at the consequences of the development on marine life and have fought the proposal to build a barrage tenaciously.

The bay's answer has been to find another home for the wildlife. It commissioned Mason Pittendrigh, of Amersham, in conjunction with David Bellamy Associates, and other consultants to produce proposals to overcome the loss of feeding grounds.

Their solution is to create a freshwater wetland habitat covering 650 acres to the south of the Llanwern steelworks, some 15 miles along the coast east of Cardiff, and a further 90 acres of saline lagoons nearby. The government has promised to put up the money for the scheme, which could amount to around £6m.

The 500-acre freshwater lake is itself expected to act as a suitable environment for a wide variety of plants, fish and birds. The development corporation has been working with environmental bodies to encourage this, and has designed the banks of the barrage, using vertical stone walls in some places, and gently sloping ground in others, to create different depths of water suited to different species of plant.

Three broad categories of plant are expected to grow in and around the lake – submerged and floating aquatic plants, emergent plants which normally have roots under the water but stems and leaves above, and marginal plants which can occupy saturated land along the edges of freshwater lakes.

These plants will themselves attract a range of small fauna. In addition, special areas designed to attract and support birdlife are planned. These could include shallows, small islands or rafts within the body of the lake, and ponds and scrapes on the edge of the lake to attract birds such as curlew and snipe which favour shallow water and exposed mud.

The lake will be surrounded by walkways and will be stocked with fresh water fish, such as roach, bream, carp, and tench, all of which are expected to flourish and to play a big part in keeping down the midge population and to maintain water quality. Migratory fish, such as salmon and sea trout will also be encouraged to swim upriver through a fish pass which will be installed in the barrage.

A series of related wildlife reserves could also be created in areas adjoining the freshwater environment of the bay itself.

Anthony Moreton

The economy: consultants predict even more investment than expected

Fewer homes but more jobs

A DECISION to go ahead with the barrage will have a very positive impact on the economy and job prospects in the Cardiff region.

This is the main conclusion of a report by KPMG Management Consultants, commissioned by Cardiff Bay Development Corporation. It says that the barrage will lead to much greater investment than expected, and certainly more than would be achieved by a development without the barrage.

"The informal target" set by the Welsh Office of a leverage of four to one will be substantially exceeded," the report states, which puts the likely private-to-public spending ratio at 7.5 to one.

The number of additional direct jobs likely to be created is also estimated to be around 78 per cent higher than without the barrage. In total, the barrage is expected to support 23,200 permanent jobs in the Bay area.

In the construction sector alone, the number of projected extra jobs – at around 16,500 person-years – is around 88 per cent higher than would have been the case if there had been no barrage.

KPMG made its first economic assessment of the consequences of the barrage in October 1987, soon after the Cardiff Bay Development Corporation had been set up. A shortened version of this appraisal was published nine months later and the original report was updated at the start of 1990. The report was put before the corporation in February.

KPMG made its initial assessment of the consequences of the barrage in October 1987. Anthony Moreton analyses the firm's latest report on its likely impact

By comparison with the 1990 document, the present report sees a reduction in the number of houses and flats as a result of fewer developments on sites away from the long waterfront. This is a consequence of the corporation's land-use proposals, an increase in the number of properties facing water and significantly reduced development around the inner harbour and some other parts of the bay area.

The real capital cost of the barrage has increased by £9.01m since 1990, according to KPMG, or around 6 per cent. Of this rise, £4.63m represents the increased cost of remedial work for groundwater protection following representations from people living alongside the river in Cardiff, who feared a rise would occur in the water table as the result of the impounding of water behind the barrage.

Total project investment costs in the barrage are £497.1m, a fall of around 21 per cent in real terms since 1990. The main reasons for the drop have been changes in site preparation and the uncommitted costs of the Butetown link, the road between the bay and the city centre.

The estimated costs of the barrage are put at £152.76m at mid 1992 prices, but on some calculations the eventual cost could be as much as 15-18 per cent lower.

The main cost, according to KPMG, is £47.55m for earthworks, followed by £39.62m for the lock structures. Sluices would be £18.03m and the sewerage system £14.8m. The costs of improving groundwater defences and of building a new home for the displaced birdlife – two important issues raised by opponents – are put at £14.43m and £5.67m respectively.

The report warns there is room for a significant margin of error in estimating the costs of the required infrastructure and site preparation work. Nevertheless, the conclusion drawn by the bay's economic consultants is that the net economic effects will be considerable.

Leisure: an international view

Opera, heritage and technology

A NEW opera house for the world-renowned Welsh National Opera Company will lie at the heart of Cardiff Bay.

Grosvenor Waterside has provided a site facing the inner harbour for the £40m building; a financial package is being put together under the aegis of the Welsh Arts Council; government support, crucial to such a public scheme, is now (at least, unofficially) committed; and an architectural competition will be held to ensure that the building compares with the best in the world.

The opera house will be a centre for the performing arts. This was always the intention of Lord Crickhowell, secretary of state for Wales between 1979 and 1987, who did so much to get the project moving, but it is also meant to be a statement that Cardiff bay, and the Welsh capital in general, represent an international arena able to play host to any event which is looking for a home.

The opera house is not the only international centre planned. Long before the first curtain call on the opening evening, Cardiff bay will have National Techniquest, a hands-on science discovery centre, and a vastly enlarged industrial and maritime museum.

Techniquest's new home, costing £7.5m, is now being built, and Professor John Beetlestone, its director, hopes the doors will be open by the autumn of next year.

The industrial museum, an arm of the National Museum of Wales, was opened in 1977 and the extention – costing about £25-30m – is a longer-term project. If work starts next year it should be completed around the turn of the century.

All three – opera house, Techniquest and museum – are part of the drive to internationalise the city. Techniquest was opened in November 1986, the brainchild of Beetlestone. Children – from 9 to 90 – can play with, or operate, the exhibits, and with 100,000 visitors this year it has become one of the leading attractions in Wales.

The building now under construction will allow the centre to develop its full potential. "The quality of our exhibits already has international recognition," Beetlestone says. "We have sold our exhibits to the similar facility in Toronto, one of the first to be set up in the world, to the Australian National Science and Technical Centre in Canberra, and to Eksperimentarium in Copenhagen. Canberra has 24 exhibits which originated in Cardiff.

Professor Beetlestone believes there has to be harmony between the exhibits and the buildings in which they are housed, something which he claims is missing both in Canberra and in Helsinki's famous Eureka centre. "Helsinki may have won awards for its architecture, but people there admit they are working against the building. In Australia, although the building is just 200 yards from parliament and next to the national library and the law courts, it does not work as an exhibition centre."

To overcome difficulties of this sort, Cardiff has commissioned an international architect, Paul Koralec, of ABK, to design a place in which there is natural harmony between shell and contents.

Futuristic conceptions may be a little beyond the industrial and maritime museum, but Dr Stuart Owen-Jones, the keeper, believes he will be able to achieve similar results. Development at the industrial building in Cardiff Bay can now be considered because the £26m work on new galleries within the main building in the city's Cathays Park civic centre is drawing to a close, ready for its official opening in October. "Development in Cardiff Bay is the logical next step," Mr Alistair Wilson, director of the National Museum of Wales, of which the industrial museum is a part, says.

Any industrial museum needs far more space than one devoted to pottery, paintings or small artefacts. By its nature, much of industrial machinery is large. The National Museum of Wales has many exhibits which it simply cannot display.

Despite this problem, the industrial museum has doubled its attendance figures to around 70,000 over the past three years, as increasing emphasis has been put on a range of exhibitions and school programmes.

"Now that we know the infrastructure which will be put in pace in Cardiff Bay, we are in a much better position to plot our own future," Dr Owen-Jones says. "We know the industrial and maritime museum will be an integral part of the inner harbour and this allows us to plan ahead with some confidence.

"We intend to ensure that Cardiff's role as a leading coal-exporting port, and Wales's place as one of the most important coal-producing countries in the world, are fully reflected.

"But we shall not just be looking to the past. The museum will be about the industries that replaced coal and steel and slate and chemicals. Like Techniquest and the opera house, we intend to be a museum with international status."

Anthony Moreton

The newly-restored Norwegian church in Cardiff docks, with the Pier Head building in the background. Bay officials hope that as many as 2m people a year will visit the area by the year 2000, to see the historic converted buildings, to wander along shopping lanes and to visit the opera, the hands-on science centre and other attractions

Marketing: **Gary Mead** on a campaign that may run for 20 years

Catching the world's eye

THE MARKETING of the Cardiff Bay development project is not simply about letting people know that it exists. It is also about trying to form connections with potential investors from across the world and about informing them precisely what the development has to offer.

Michael Boyce, chief executive of the Cardiff Bay Development Corporation (CBDC), is reluctant to discuss precisely how much has been spent on marketing the project, but the corporation's former advertising agency, Travis Dale, says that the account was worth £500,000 in 1992.

Once parliamentary approval has been obtained, the project will shift gear and the marketing effort will increase substantially. A gala occasion at the Mermaid Theatre, in London, on May 18 – originally planned to co-incide with the much-delayed securing of Parliamentary approval – is reputed to have cost £200,000, and was designed to support the second stage message that Cardiff Bay is now "open for business".

Held in the presence of Princess Diana, the event featured music from Verdi, Bizet, and Gershwin, sung by stars from Welsh National Opera, and a new orchestral piece, the Cardiff Bay Overture, specially commissioned from Welsh composer Gareth Wood - set against an audio-visual backdrop of Cardiff and the bay area.

The hard sell came in the form of speeches from Michael Boyce himself, Sir Geoffrey Inkin, chairman of the CBDC, and the then Welsh Secretary, David Hunt; the soft sell in the form of on-screen messages from former prime minister, Lord Callaghan of Cardiff, who represented the area now covered by the scheme in the House of Commons for more than 40 years, and Oscar-winning Welsh actor, Sir Anthony Hopkins who trained in the city.

The Mermaid Theatre gala was not, however, just a cultural event, addressing itself to London's political and opinion-forming classes – and, it has to be said, to a good number of visitors from the Principality itself.

Cardiff Bay's marketing people, Edelman PR Worldwide in London and Quadrant Public Relations in Cardiff, had made sure that representatives from 14 countries in Europe, north America and the Far East not only attended but were given a precisely documented list of business possibilities which the bay can offer.

Duncan Syme, Cardiff Bay's commercial and marketing director says: "We can't sell Cardiff Bay in isolation. We have had to try to lift the awareness of Cardiff in the property and business world generally. The first three years of our marketing activity have sought to generate that awareness, promoting the big idea of the transformation of dereliction into a range of development sites. We are now moving into more specific marketing campaigns to get inward investment but it is a campaign which will run over 15 to 20 years."

Peter Miller, of the consultancy, Business Development Group, which has been responsible for the marketing strategy for the project, says that the problem has always been how to market something that has not previously existed.

"The Cardiff Bay Development Corporation has a much broader remit than simple property development. In the UK the majority of development projects are about refurbishment but Cardiff Bay is not about rescuing derelict buildings. It is about the re-orientation of a city, bringing Cardiff into the first division of international cities. The city, which currently faces inward, will be turned around so that it has a waterfront."

The initial phase of the marketing campaign has been constrained in two ways, says Miller. "The essential infrastructure work has had to be done first. There has been a very lengthy period of land acquisition, and public consultation. The other constraint has been that the scheme involved the building of a barrage, which in turn needed a parliamentary bill. That also has taken time. While those two constraints were with us, the marketing was stuck in a warm-up phase. We now feel we are at a watershed, ready to move into a new phase. We have moved from an awareness campaign to one which says we are now open for business."

The corporation ran an 18-month advertising campaign from 1991, and another has just started, using a set of "visionaries from the past" (such as Pythagoras) to comment on the project. These ads will run in the press, particularly business publications. "As the campaign evolves you will see more closely-targeted advertising, aimed at the industrial, property, leisure and tourism markets," says Miller.

Michael Boyce says that one of the most important aspects of the project is its international marketing, which will attempt to make the world understand that the project matches any other of the same kind. "We are re-developing a sixth of the city, and we will never know when it is finished. It will be a continuing process, but there will be milestones along the way."

To draw that *international* attention, Boyce is looking ahead over the next three years. "We have had a link, for almost a decade now, with the metropolitan area of Baltimore – on the east coast of the US – which was the inspiration and model for Cardiff Bay. The local county councils, universities, and chambers of commerce, on both sides of the Atlantic have built links to help each other's developments, not least by pointing business people in each other's directions. That is much more effective, we think, than trying to target the whole of north America, where we have no chance at all of making an impact."


"We are re-developing a sixth of the city," says Michael Boyce, chief executive of the development corporation, pictured in front of the Secret Station sculpture, which signifies old and new technologies in Cardiff docklands

Boyce is planning to develop the same kind of links with Sydney, Australia – in New South Wales, named by its discoverers after the old south Wales because of the similarity in shape fo the coastline. "Cardiff, with the bay development, will be part of a newer South Wales, so there is an immediate historical and emotional link. We will be trying to persuade the Australians, who might normally think of investing in the Pacific region, to consider Cardiff Bay."

Norway also has longstanding maritime links with Cardiff, evident in the newly-retored Norwegian church recently moved to a new site in the docks area. Roald Dahl, the author, was brought up in the city, his Norwegian father having established a ship-broking business there, while another brother went to La Rochelle. As a result, Norway too is on Boyce's list.

"Like the US and the Far East, what a nonsense it would be if we sought to market ourselves to the whole of Europe. In each of the areas we select, we will, of course, target particularly relevant industries. That is our thrust for the next three years."

Property: **Anthony Moreton** examines a difficult scene

Early lettings welcomed

THE LARGEST pre-let contracts in the UK, in both 1991 and 1992, were negotiated on 170 acres of land owned by Grosvenor Waterside, the property development arm of Associated British Ports, in one segment of Cardiff Bay.

The brick-built, flat-roofed, Welsh Health Common Services Authority building, covering 150,000 sq ft, and costing £15m, is now approaching completion and will be ready for occupation from September. Work is about to start on a £16m building for NCM Credit Insurance, which will result in the creation of a flagship 119,000 sq ft office development built to a very high specificiation in pink granite, with an atrium, facing the inner harbour.

Also planned for Capital Waterside, which adjoins the historic Pier Head building, once the headquarters for all the Great Western Railway's dock operations, are a new Welsh national opera house, which will be the subject of an international design competition, a high quality 200-250 bed hotel, 25,000 sq ft of shops and 200 houses.

"These lettings represent a significant commitment to the bay," according to Mike Rees, director-in-charge of the Cardiff office of Chesterton. And Rhys James, partner with DTZ Debenham Thorpe, adds: "In the present climate these deals represent real success. Now what Grosvenor Waterside has to do is to create a better mix on the site. The group needs to find clients who will take around 10,000 sq ft of space, so that one or two very large buildings do not dominate. Grosvenor has planning permission for 800,000 sq ft on the site, which is plenty of capacity for such a mix."

Despite these two big successes, the general property scene in Cardiff has not been any easier than elsewhere in Britain as the recession bites. "There are clients looking around but they cannot get rid of their present leases, especially those wanting to move out of the south east of England," Mr James says.

Among those looking, according to Mike Hall, of Cooke and Arkwright, are the Property Services Agency, on behalf of the Lord Chancellor's department, which is seeking 45,000 sq ft for a relocation from London; the insurance group Axa, which wants about the same space; the Department of Health and Social Services; and Maryland Bank, an American finance house which is understood to have Cardiff as one of three potential centres for a European operation.

Cardiff Bay office location proposals

The Bridge
- City centre location
- 850,000 sq ft offices
- Car parking
- Hotel
- Small retail element
- Car parking

Capital Waterside
- Waterfront location
- Consent for 1m sq ft offices
- First class hotel
- Site for opera house
- Retail/leisure

Mount Stuart Square
- Professional environment
- 250,000 sq ft offices
- 100,000 sq ft historic building refurbishment
- Car parking

Atlantic Wharf
- Campus site
- 350,000 sq ft B1 offices

Ocean Park
- Campus site
- 150,000 sq ft B1 offices

Ferry Road
- Campus site
- 1m sq ft B1 offices

Penarth Haven
- Campus site
- 30,000 sq ft B1 offices

Any one of these would continue the office-market momentum developed by the health authority and NCM. The bay itself, a relatively small part of the Welsh capital, has been successful in the past two years with a number of high-profile names arriving, among them the Prudential which took 22,000 sq ft a year ago at Atlantic House for a regional headquarters for 150 staff.

The bay has been given a further boost with the rescue of Alexandra Gate, a development on the eastern edge of the bay area, the developer of which was a local firm which subsequently went into receivership. Welsh Water is to move its corporate headquarters from another building in the city to Alexandra Gate, a campus-type development, with the private mining group, Ryan, and Wales and the West Housing Association taking the other two blocks.

These moves have met some criticism, however. Chesterton's Mr Hall argues that the incentive packages offered through public and quasi-public sources have made comparable city centre schemes uncompetitive.

There are about 200,000 sq ft – 18 months supply – of good-quality accommodation available in the centre of Cardiff. The largest of these is Principality Building Society's own development in Queen Street, the city's main shopping street, where about 55,000 sq ft out of the 65,000 sq ft built is still available.

Mr Hall also says that potential entrants to the bay, such as Legal and General, and Canada Life Assurance, have been been frightened off by the lack of speculative developments, poor access and difficult parking. "About 100,000 sq ft of offices, both refurbished and second-hand, remain vacant at the commercial heart of the bay at Mount Stuart Square, but poor accessibility, specification and parking are likely to result in these remaining vacant in the short- to medium-term."

Cardiff rents remain, generally, below those asked in Bristol and further east along the M4 motorway corridor. DTZ Debenham Thorpe's Mr James believes around £16 a sq ft is as much as could be obtained. "Two years ago we were hoping to reach the £20 level".

The Welsh Health Services building has been let on a 25-year full repair and insurance lease, at an average rent for the first five years of £14.50 per sq ft with five year reviews. NCM has negotiated a 15-year lease at a rate in excess of £15. The shorter-than-normal term represents a compromise agreed with Grosvenor Waterside between normal UK practice and 10-year deals, common in the Netherlands where NCM is based. Cooke and Arkwright's Mike Hall agrees that "between £14 and £16 is about the top of the market at the moment, especially in the bay".

These rates, however, take no account of hidden incentives, which neither developer nor client is willing to discuss. Mr Rees believes a client such as the Prudential may have extracted a rent-free period equal to 12-18 months rent.

The dice are, naturally, very much loaded in the tenants' favour in the present economic climate. "Of all the deals done in Cardiff in the last year," says Mr James, "just over 90 per cent were leasehold. That is, they were in the tenant's favour, with attractive break clauses and rent-free periods. The developer is now almost looking to the first rent review to recover."

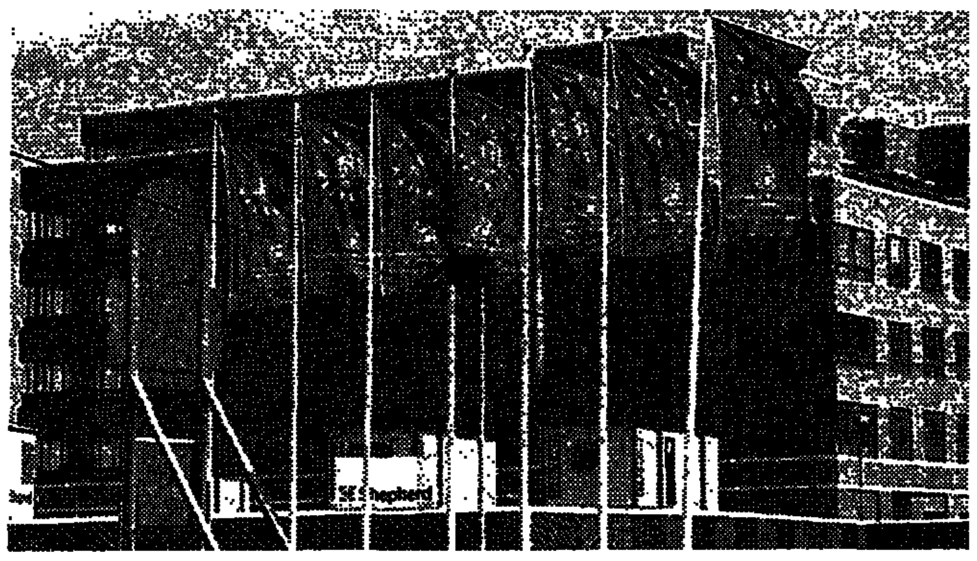
According to Jim Fitzsimmons, the property development manager for Cardiff Bay, the main developments will come on stream at the right time when the economy generally is emerging from recession. A key area is known as the Bridge, located between the city centre and the bay. Here around 1m sq ft of office development is planned around a new city square at the top of the main highway out of the bay. "Once the barrage is completed we expect a strong level of interest. We will have large amounts of land available, too, at this time," Fitzsimmons argues.

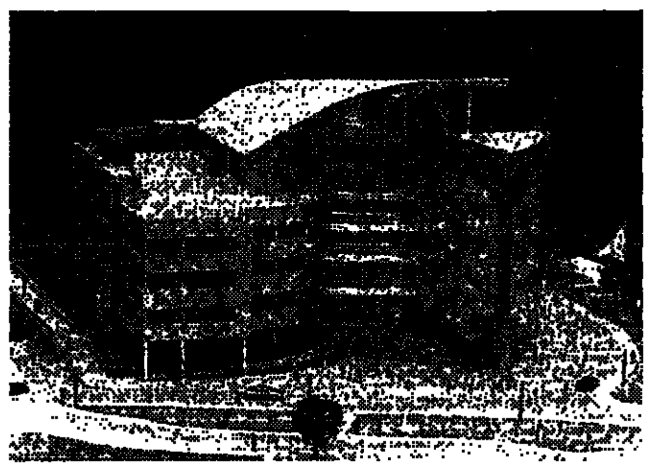
Elsewhere there is strong activity at the moment in the retail sector, with Comet, MFI and McDonalds going to an out-of-town location developed by television contractor HTV, near a recently opened site on which both Tesco and Marks and Spencer have stores. In the city centre, too, there is interest in a development being undertaken on the site of a former Allders store in the main Queen Street shopping thoroughfare by a London and Edinburgh Trust (LET) and BICC joint venture.

Known as Queen's Arcade, it is planned to open at Easter 1994, with the largest units totallling around 25,000 sq ft. Pre-lets have been arranged with Dolcis, Argos and Leeds Permanent building society, and others are expected in the next few weeks: Tesco is also taking a prestige site for a superstore on the western side of the barrage in Penarth Haven, where a successful marina and housing development has already taken place.

On the industrial side, the Bay has three fully-serviced sites at Ocean Park, Pengam and Tremorfa. Sites at the 100-acre Ocean Park, which has been zoned for B1/B2 development, are being offered at £150,000 per acre on a 999-year lease with an option to convert to full freehold for a peppercorn sum. The development is expected eventually to provide 1.2m sq ft of factory floor space, 150.000 sq ft of offices, 300 homes and 30,000 sq ft of leisure facilities.

According to the CBDC, there are signs of renewed interest among developers, with a number of interested parties talking about schemes in the region of 140,000sq ft to 180,000 sq ft.




The brick-built, flat-roofed Welsh Health Common Services Authority building (left) will be ready for occupation in September; while work is about to start on the new NCM headquarters, pictured in model form

Transport: **Rhys David** sees an opportunity to re-unite the city centre with its waterfront

New roads will await the incomers

CARDIFF IS a city divided by its main railway line. To the south of the London-Swansea tracks lie the port, and the inner city suburbs, of Splott, Tremorfa, Butetown and Grangetown, which provided the workforce for the docks and the now demolished Guest Keen steelworks. To the north, lie the splendid Edwardian civic centre, and the plusher suburbs of Cyncoed, Llanishen, Rhiwbina, Whitchurch, and Llandaff.

The development of Cardiff Bay, an area one sixth the size of the whole city, is creating an opportunity to change this orientation and to re-unite the city centre with its waterfront, creating in the process a substantially larger central urban area.

The objective is being achieved through investment totalling more than £450m in infrastructure, a large proportion of which is accounted for by a new road network. Whereas in London the pace of development in docklands in the 1980s quickly outpaced the introduction of new infrastructure, Cardiff has been able to take advantage of the property market slowdown of the past four years to make sure the roads are put in place ahead of incoming businesses.

The main piece of infrastructure is a £100m new peripheral distributor road, one of the biggest ever urban road projects in Britain. When completed later this decade, it will leave the M4 east of Cardiff looping through the bay, passing underground through a central section, before rejoining the motorway west of the city.

The road, the eastern section of which is being built by a joint venture between local builders, DMD, and Italian group Cogefar Impresit, will make southern Cardiff much more accessible, both from outside the city and from its western and eastern suburbs, than has hitherto been the case, at the same time creating a new southern perimeter to the city centre.

Other roads between the existing city centre and the bay area have also been built, but a grand new spine route is also being planned, which will have to carry the weight of being both the principal physical and symbolic link between old and new city.

At present, the one-mile-long Bute Street – the heart of what used to be known as Tiger Bay – runs south from the main east-west railway line to Pier Head, flanked on one side by a high railway embankment carrying trains from the Cardiff Valleys.

Under the proposals put forward by the CBDC, the railway embankment will be removed, and replaced at road level by light railway tracks, with the main road into the bay, a tree-lined avenue, running on either side of the tracks.

The main piece of infrastructure, a £100m peripheral distributor road, will make southern Cardiff much more accessible, both from outside the city and from its western and eastern suburbs

On the bayside, the avenue will end in a waterfront piazza alongside the proposed new opera house and the new flagship building being created for NCM. At its northern end the avenue will deposit traffic in a new square south of the tracks, from which it will exit into an extension of St Mary Street, one of the city's principal retailing thoroughfares. Around the new square there are plans to develop a total of 1m sq ft of offices, retailing, a hotel and restaurants.

Other improvements in the road system around Cardiff may be recommended, as a result of studies carried out by consultants into the impact of the injection into the bay area of the city of an estimated 30,000 new jobs when the scheme is completed. What has already been shown is that there needs to be an increase in public transport to achieve as near as possible a 50/50 per cent split between private and public transport, and a variety of options, including improved bus services and either an upgraded rail, or new light rail, system, are being considered.

An extensive network of commuter services – the legacy of the former coal train network which connected the pits with Cardiff docks – fans out from Cardiff's Central and Queen Street stations to the valleys, with one branch travelling along the Bute Street embankment

The CBDC has earmarked funds for a possible new light rail system which could work on existing British Rail lines out of the city and possibly run eventually along the city's streets. A joint study has been set up with Nottingham Development Enterprise, which is interested in a similar development, based on a system in use in Karlsruhe in Germany.

Under this system, vehicles operate on diesel or electric power and lower a guide wheel from their chassis on to a track set in the road for use when operating away from conventional railway lines.

The improvements planned in the transport to the area are intended to go at least part of the way to counter the argument that investment in the bay is depriving other parts of south Wales of badly-needed resources, by making it much easier for people living within a 15-20 miles radius of Cardiff to commute to work in the city, while still living in well-established valley communities.

Improved links will also make it possible for the tourist attractions which are planned for the area to be reached by the large population within a few hours drive of the city, not just in south Wales but in southern England and the Midlands.

Bristol, Avon, Gloucestershire and Herefordshire are all within an hour of Cardiff, while areas as far away as the western fringe of London are not much more than two hours away.

Apart from Welsh National Opera, which it is hoped will continue to attract its own faithful clientele when its new building is developed, there will be a range of other attractions in the bay area, which CBDC's chief executive, Michael Boyce, believes can become a Covent Garden-by-the-sea, attracting 2m visitors a year by 2000.

These will include, if all goes as planned, a National Science Centre, offering a wide range of hands-on experiences, a National Centre for Sporting Excellence, and in the areas closest to the watefront a network of lanes, passageways and piazzas, for eating, drinking, and buying, – or just strolling and browsing

The creative eye is also being turned on street furniture, including lamp-posts

Anthony Moreton discusses art for the people

Fit for the 21st century

FROM THE day he was appointed chairman of the development corporation, Sir Geoffrey Inkin was determined the whole development should not just be about bricks and mortar.

He was conscious of the effect such a massive scheme would have on the people already living in Cardiff's docklands. He was also aware of the need to contribute aesthetically to the environment, to produce something that would not only work but would also look good.

The corporation would lay down the framework, by attracting the best architects from around the world to design new roads, offices and housing in an imaginative way.

But it was essential for him, not only that the buildings themselves should contribute to the overall concept of the new Cardiff, but that public art should add to the feeling that this was a city fit for the 21st century.

"Art in public places is for the enjoyment of the people," Inkin says. "It helps create environments which are humane, entertaining and stimulating. They enhance a sense of identity and the scope for art in public places is now immense."

To monitor the quality of the buildings, the corporation, in one of its first moves, set up in 1988 a fine-arts panel, called rather more prosaically the Design and Architectural Review Panel, to keep an eye on proposed designs.

A year later, a public art consultancy team was established to research and develop a strategy for public art and its funding.

This was followed, in 1990, by the appointment of Sally Medlyn, who was then with North West Arts, as director of the Cardiff Bay Art Trust.

Inkin had been impressed by Per Cent for art, the scheme common in the US and in some European countries such as the Netherlands, by which developers put up to 1 per cent of development costs into works of art. Projects in America showed that sculpture, in particular, was not seen as an addendum to individual buildings but as an integral part of any development.

Ms Medlyn's trust has had an immediate impact. Three sculptors, French-born Pierre Vivant, who has studios in Paris and Oxford, Eilis O'Connell, from Ulster, and a Gibraltarian, Francis Gomila, working in Smethwick in conjunction with an English architect, Ian Ritchie, were the first winners of awards for works to be erected on key sites.

Those works were intended to stimulate interest and were funded out of public money. They have been complemented by others undertaken under the Per Cent scheme by Bradenham Developments, Sharpe and Fisher, and Grosvenor Waterside.

"The initial ideal is up and running" says Ms Medlyn. "Most importantly, artists are being brought in at an early stage. It is too easy to get an artist to produce a work almost as an afterthought after a development has been created. But we are bringing the artist in, in his or her own right, from the start."

Such schemes are not restricted to works of art. Ms Medlyn's small team is also concerned with improving street furniture. Lamp-posts, public seats and serial works, which will draw visitors around a particular feature, are all being attended to.

The most imaginative scheme was unveiled in March, when South Wales Electricity came up with a plan to transform an ugly sub-station into a futuristic creation. Mr Wynford Evans, chairman of the electricity company, says the £5m scheme will transform the station, which will be the powerhouse of the bay's electricity system, into a building fit to grace the rest of the developments within the bay.

"We presented plans for the new sub station to artists and asked them how they would treat a piece of modern technology in such a way that it would produce minimum environmental intrusion," says Evans.

"We selected John Gingell, a Welsh artist, who worked with our engineers to produce a strong primary-coloured scheme which will include enormous sculptures symbolising energy and power. The focal point is a 60ft light tower, which will draw attention to the bay by night and day, and the result of the whole redesign is immensely exciting."

The challenge is not just to put up works of art, Ms Medlyn says, but to create places where people can derive pleasure, whether working or visiting Cardiff Bay.

Success still needs to be worked at, though. Wales is not a country with a strong architectural heritage, and until NCM published the design for its new headquarters, next to the site set aside for the opera house, there was little evidence of distinctive architecture within the Bay. Architects Holder Mathias Alcock attractively converted an old building for their own use, and the two remaining Victorian buildings within the area were sympathetically turned into flats and a hotel.

Elsewhere, there has been little evidence that the design panel has had a great deal of success. Everyone concerned with Cardiff Bay needs to be aware of how much remains to be done before they can be fully satisfied.

The RMS St Helena still offers the prospect of a romantic cruise

The docks: the city is still a working port

Link with M4 may revive fortunes

THE PLANNED transformation of 2,700 acres of Cardiff is the second biggest regeneration project of its kind in Britain after London Docklands.

Yet, while both are creating new housing, office, leisure and industrial opportunities in old port areas, they differ in one important respect. While the port trades of London have moved down river to Tilbury, and further afield to Felixstowe, Southampton and elsewhere, Cardiff remains an important, middle-ranking, working port.

Indeed, from the windows of the spectacular new NCM building now rising alongside the Roath Basin, office workers will get a grandstand view of the maximum 35,000 tonnes dwt vessels which can enter the biggest of the two remaining Cardiff docks, the Queen Alexandra; and yacht owners, coming in an out of the impounded basin which will be created by the barrage, will have to take care when large vessels enter and leave the sea locks into the docks.

Guests who book into the Celtic Bay Hotel, converted out of the brick shell of a former bonded warehouse, can dream, too, of boarding in Cardiff one of the most romantic voyages still open to the sea traveller from Britain – a cruise down to St. Helena, via Tenerife, Ascencion and Cape Town (with a once-a-year extension to Tristan da Cunha), on the only remaining Royal Mail Ship, the RMS St Helena.

Yet, despite these reminders of a great past, Cardiff's glory days as a port have been well behind it for some time. In 1913, when exports reached a record 13.7m tonnes (including 10.5 m. tonnes of coal), 900 ships a month called at the port, which for brief periods exceeded both London's and Liverpool's tonnage. In 1920, the city boasted 122 shipping companies, owning 1.5m gross tonnes of shipping, to make it the greatest steam-ship-owning centre in the world.

The switch to oil for boilers did for Cardiff, and for the Welsh coal industry, and a long, slow period of decline has followed, taking with it old ship-owning names like Cory, Seager, Instone, Lovering, Radcliffe, Tatem, Turnbull, and Reardon Smith. Only two Cardiff shipowning companies survive – Graig and C.M. Willie – of which only the latter, with a weekly liner service to Bilbao, sails out of Cardiff.

As late as the 1960s, efforts were still being made by the port's owners, the nationalised British Transport Docks Board, to attract new portside industry to create large new trades for the port on land once occupied by 40 miles of railway track, but these failed to produce any significant results.

Since privatisation, Associated British Ports has pursued a different policy of seeking to sell off its surplus land, and it has been this which has opened the way for the dockland developments now taking place. Enough land has been retained to make sure the port can continue to function, but other land has been made available for development.

ABP's property arm, Grosvenor Developments, is responsible for two of the main office blocks currently under way on 170 acres it has set aside for development – for NCM and the Welsh Health Common Services Agency.

The port itself now handles around 2.5m. tonnes of traffic a year, split between imports and exports. Coal and coke products are still exported, though coal is now also imported, along with large quantities of oil and petroleum products, mainly from refineries around the UK coast. Cardiff is also an important fruit and timber importing port, though this latter trade has been badly affected by the recession.

General cargoes, some containerised, are also handled, together with project cargoes, such as heavy plant and machinery, with the port's hinterland from which it can draw business extending across much of southern Britain. Importation of orange juice, one of the fastest-growing grocery products of recent years, is a relatively new speciality, developed as a result of investment over recent years by ABP in improving Cardiff's quayside cold storage. Other trades which could take advantage of the 9,000 tonne cold store facility are also being investigated.

Just how easily port activities and the whole range of new living, working and leisure facilities planned for the bay, including a new opera house, can co-exist, remains to be seen, but the symbiosis that is already developing looks as though it could benefit both. The bay developments could not have happened if such large tracts of land, much of it originally reclaimed from the sea for dock development, had not been available and ripe for comprehensive development. In return for releasing land, the port is obtaining not only new neighbours who will bring both income and life to the area but an extensive new road network.

Originally built to be served exclusively by railway, Cardiff docks will, with the completion of a peripheral distributor road through the bay, be on a loop of the M4 motorway, giving instant access to the UK motorway network, barely more than 20 miles from the second Severn river-crossing. As a result, the port itself could become much more attractive to importers and exporters, securing a revival in its fortunes which has eluded it for much of the present century.

Rhys David

A refuse tip may become a county cricket ground

Site offered to Glamorgan

GLAMORGAN County Cricket Club has been looking for a new ground – and now the development corporation has made land in the bay area available to it.

If the cricketers can find the money, a ground will be developed on a site alongside the dual-carriageway which sweeps round the southern half of the city. Glamorgan hopes that, with its easy access, ample space and new stands, the proposed new ground will become not just a home for the county but also an international ground.

Gwyn Stone, secretary to the club, says: "We have identified a site where we expect to build a new ground, to international standards, within the next four years. We would like to think we could play a part as a venue for matches during the 1998 World Cup."

The search for a ground is part of a campaign to lift the performance and profile of Glamorgan cricket, drawn up by the county under its new chairman, Newport businessman Tony Morgan, working with management consultants, Andersen Consulting.

The new ground holds the key to the county's long-term hopes of being successful, profitable and widely-supported.

The club does not own its own ground, but uses the facilities of Cardiff Athletic Club and other club or local authority grounds elsewhere in Glamorgan and other parts of Wales.

The move to its own purpose-built ground would enable the county to develop boxes and other business entertainment facilities, and to improve the seating and catering available to all spectators, something it cannot do at its current Cardiff ground in the city's Sophia Gardens. Though the county would still tour, more matches would be held in Cardiff.

The new site, which is likely to cost about £10m to develop, would also include a Welsh national cricket centre and an indoor cricket school, where new talent could be nurtured.

Among possibilities being considered for financing the scheme are corporate donations and the issue of debentures. Public funding might also be available, because of the ground's location within the bay area.

Plans for the new ground, which could be in place three years from the decision to go ahead, have been drawn up by Cardiff architects Hoggett, Lock-Necrews, part of the international Whinney Mackay-Lewis group. Terry Hoggett and Gwyn Stone visited Durham, which only entered the first-class scene last year, to see its development plans.

"A ground such as the one Cardiff Bay offers us," says Mr Stone, "would be part of our overall strategy to ensure the county has good facilities for players, members and spectators. It would also be a place of national excellence, one from which club cricketers and schoolboys could benefit."

The 13-acre site – about the same size as Surrey's test arena at the Oval, in south London – could be developed along the lines of Worcester's intimate ground, Mr Stone believes, holding a full-house of about 8,000 and having a number of smallish pavilions.

Offering the cricketers these 13 acres has one other advantage for Cardiff Bay. The site at the moment is the cleared remains of a refuse tip. Development for housing or industry would involve the bay's authorities in the enormous expense of clearing the site, because of the possibility of noxious fumes affecting people living and working there.

Ove Arup, the consultants to Cardiff Bay, have shown that an open-air activity such as cricket would be perfectly safe and an ideal use for the area.

Anthony Moreton

هكذا امنه الأصل

£50m work awarded to Wiltshier

The **WILTSHIER CONSTRUCTION GROUP** has made new contract gains totalling almost £50m since April.

The largest project is the refurbishment of an office block for Unisys at Uxbridge in Middlesex, valued at £4m and due for completion in the autumn.

Other major contracts include a £3m steel-framed warehouse with car parking for Nurdin & Peacock in Croydon, a £2.1m leisure centre in Canterbury, a £2.8m student accommodation unit in Newcastle-upon-Tyne and a series of nine individual store fit-out contracts for Boots the Chemist totalling £3.2m.

Refurbishment

LAING LONDON AND SOUTH EAST is carrying out a major facelift of a tower office block in Chiswick, west London, for the British Standards Institution.

The contract, worth around £14m, involves demolition of the canopy, construction of a two-storey extension and recladding of the whole building. The project is due for completion in July 1994.

London offices

Four construction management projects worth £30m have been secured by **BUCKNALL AUSTIN**.

The projects include the fitting out of Coca Cola's new headquarters at Hammersmith (£8m), project management for fitting out work for the Prudential Corporation in central London (£17m), the reconstruction of Alderman's House following the IRA bomb in the City (£2.4m) and fitting out works for a maintenance centre for British Airways in Wales (£3m).

Motoring services

BOVIS CONSTRUCTION has won a £9m management contract to build a supercentre for RAC Motoring Services at Bradley Stoke North, near Bristol. Construction of the centre, which represents an investment of £14m by the RAC, will be finished by October 31 1994.

Housing university students

The spires of Oxford are the backdrop for **WIMPEY CONSTRUCTION**'s new contract - the eleventh student accommodation project the company has won in the last 12 months.

The £5.4m scheme covers the construction of a hall of residence *(pictured above)* for Oxford University's Merton College.

The contract will provide 93 study bedrooms in three blocks together with eight, one and two-bedroom flats, a porter's lodge and glass conservatory.

Building at Merton, amid the historical architecture of central Oxford, will require Wimpey to use materials carefully selected to blend with the existing colleges and buildings in the surrounding area.

The three-storey buildings will be enveloped with handmade brick and a bath stone cladding and topped with Cumbrian slate pitched roofs.

The 66-week contract will be complete by September next year ready for the new intake of students and the start of the 1994 academic year.

New headquarters for building society

A £13m design and build contract for a new headquarters for Birmingham Midshires Building Society has been won by **MOWLEM MIDLANDS** of Wolverhampton part of John Mowlem Construction.

The Society's new headquarters and computer centre, on an eight acre site at Pendeford Business Park on the northern outskirts of Wolverhampton, is one of the largest investments to be made the West Midlands for some time.

The project comprises a high quality, 15,000 sq metres four-storey, steel-framed building with piled foundations, facing brickwork and a slate-tiled roof.

There is an extensive services package, designed to make every element of the installation environmentally friendly. The scheme also includes a creche, car parking and extensive landscaping which will be enhanced by the planting of several thousand trees and shrubs. Work has started and completion is scheduled for the end of 1994.

Cardiff Bay development project

Associated British Ports has awarded a £14m contract to **TAYLOR WOODROW CONSTRUCTION SOUTHERN** to build a new headquarters and related infrastructure for NCM Credit Insurance at Cardiff Bay.

Grosvenor Square Properties Group, the property development subsidiary of Associated British Ports Holdings, won the 119,000 sq ft pre-let for the building against stiff competition last August, following NCM's decision to relocate from Cardiff city centre.

The project has been designed by Cardiff-based Holder Mathias Alcock and London architects Nicholas Hare for client Associated British Ports. It is located at Capital Waterside, the former Roath Basin which is to become Cardiff Bay's leading commercial property centre.

The NCM building is to be situated on a prime position overlooking the inner harbour at the junction of Harbour Drive and Britannia Quay, and is designed to reflect the maritime setting. A key design feature is the air conditioning system, which is based on the displacement ventilation principle. Completion is scheduled for the end of next year.

Dawes 'earns his spurs' and comes on board at English Trust

English Trust has made Simon Dawes, a corporate financier from JS Gadd, its eighth director now that he has "earned his spurs", according to fellow director Anthony Wieler.

He joins up with Stephen Goschalk and Charles Good, both former senior Gadd executives. The two moved to English Trust, Good on a non-executive basis, when the boutique merchant bank acquired the corporate finance activities of Gadd last December.

Dawes, however, was not taken on immediately, but worked on a number of projects for English Trust. "We wanted everyone to prove their worth," Wieler explains. "People sometimes don't bring as much business with them as they say they will." In May, Dawes had worked on a private placement for a nursing home, Exceler, which raised £2m.

English Trust reckons the pick-up in corporate finance activity in recent months signifies an end to recession for smaller companies. Dawes is understood to be working on two larger deals currently, including one cross-border venture.

Previously, Dawes, 49, had spent 20 years at Laing & Cruickshank specialising in engineering and then smaller companies, from the analytical and institutional broking angle.

His initial foray into corporate finance was when he joined ANZ Merchant Bank in 1991, but the Australians shut down the UK corporate finance operation eight months later. At that point he moved to JS Gadd.

The latest move in the on-going shuffle of City economists is that of Mark Brown from UBS Securities. Brown, 30, has been appointed head of strategy and economics at Hoare Govett where he will be responsible for the macro-economic research department covering the UK and Europe.

Brown (above) started his working life as an economist at the Confederation of British Industry, before moving on to the Treasury in 1984. There, under the eye of Rachel Lomax, now deputy secretary in charge of financial institutions, he helped develop a method for working out the number of individual shareholders in the wake of the privatisations of the early 1980s.

An occasional rock-climber, but now more devoted to his 18-month old son than to outdoor pursuits, Brown worked at UBS for seven years. He takes up his post at Hoare Govett sometime towards the end of the year.

■ In another move, Mark Brett, director of bond and currency strategy at Barclays de Zoete Wedd, has announced that he is leaving in September to join investment advisory firm, Capital International.

Bodies politic

■ Graham Green, md of W Canning's chemicals division, has been appointed president of the FEDERATION EUROPEENE du COMMERCE following the death earlier this year of Robbie Buckland.

■ Charles Hinde has been appointed financial director of The CORPS OF COMMISSIONAIRES Management Ltd.

■ David Chenery of Boulton & Paul has been appointed president of the BRITISH WOODWORKING FEDERATION.

■ John Singer, a director of Granville Holdings, has been elected chairman of the EUROPEAN VENTURE CAPITAL ASSOCIATION.

■ Valerie Hammond, director of the Ashridge Management Research Group, has been appointed chief executive of ROFFEY PARK MANAGEMENT INSTITUTE.

■ Peter Greenaway has been appointed chief scientific officer at the Department of Health following the retirement of Peter Woodford.

■ Roy Reynolds (below), former md of Shell UK Oil, has been appointed chief executive (designate) of the board of the COMMONWEALTH DEVELOPMENT CORPORATION, to succeed John Eccles in May 1994.

■ Sir Geoffrey Allen, chairman of the Council of Science and Technology Institutes, vice-president of the Royal Society, a former chairman of the Science and Engineering Research Council, a former Scientist at the National Research Council in Canada, and a former member of the Eureka Assessment Panel; David Arculus, md of EMAP, an executive member of the Advertising Association and treasurer of the Federation of the International Periodical Press and a former chairman of the Periodical Publishers Association, and Anne Daltrop, chairman of the Consumer in the European Community Group, have been appointed members of the NATIONAL CONSUMER COUNCIL.

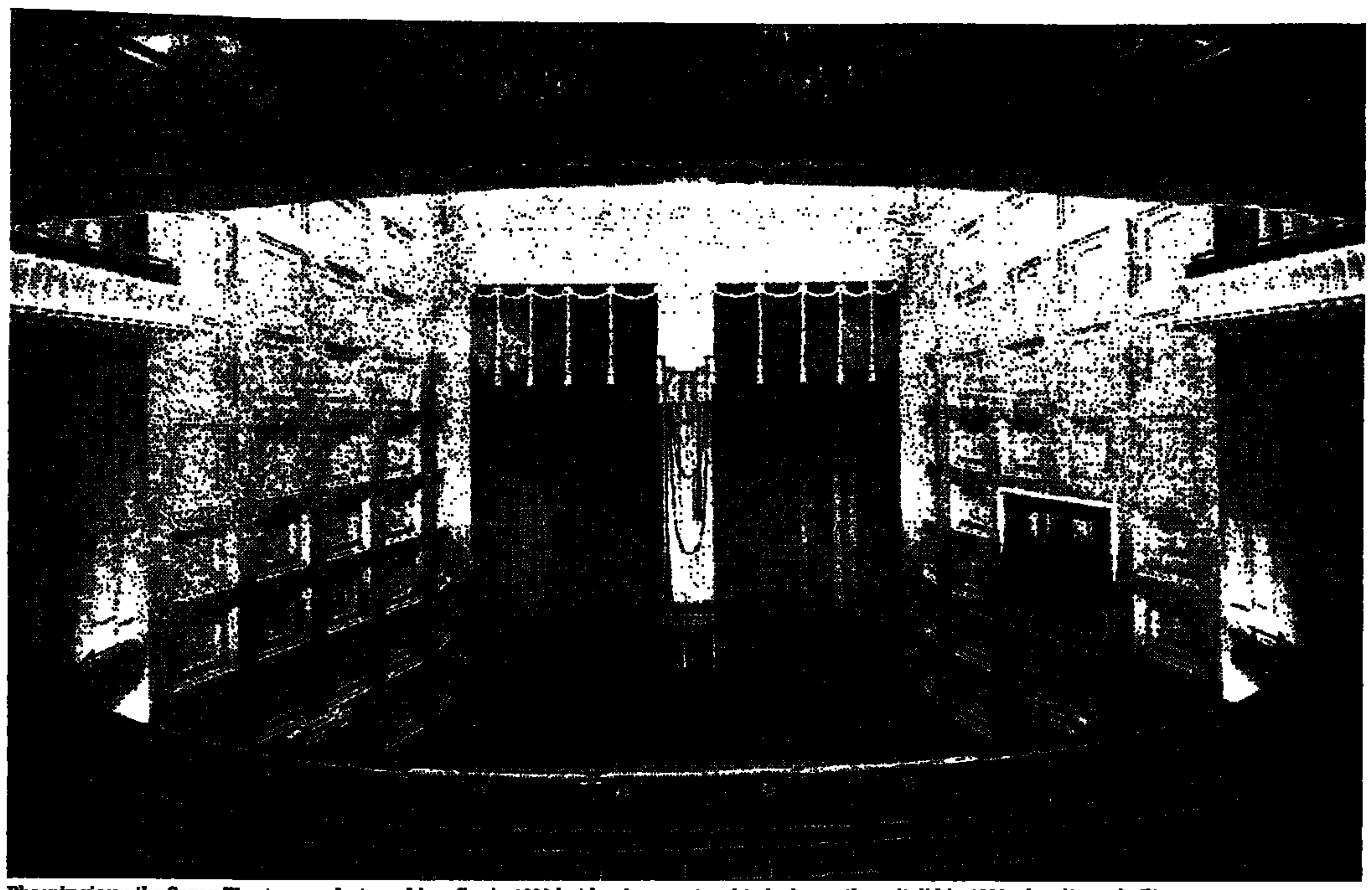
Architecture/**Colin Amery**

Flapper's Art Deco fantasia restored

It took five months in 1929 to build the present Savoy Theatre. It was the brain child of Rupert D'Oyly Carte and the theatre opened with a revival of Gilbert and Sullivan's *The Gondoliers*. The building of the theatre was something of a miracle. The architect was one Frank Tugwell but the real genius behind the fantasy world of the interior was Basil Ionides. He was a design guru – today he is remembered much more for his books on decoration than for any of his completed schemes.

A glance at any of his volumes published by *Country Life* reveals a world of certainties of taste and judgment that today seems very alien. As he wrote at the time: "It is a curious form of vanity that makes people want to have what other people appreciate rather than what they like themselves." At the Savoy Theatre, which was revealed in its restored form last week, Ionides had no doubts. He felt that a new theatre in London opening at the end of the flapper era should reflect the brittle American world of Art Deco – glittering and shimmering with a sharp exoticism.

When the theatre was destroyed by fire in 1990 the opportunity was seized to restore it exactly as it had been in 1929. English Heritage – an organisation more criticised than blessed, took the right decision when it demanded that the theatre should have the Ionides decorative scheme restored in every possible detail. While no one could claim that the interior that flashed before the audiences at the ballet last week is in every way technically perfect, it is something of a restorer's tour de force.



Phoenix risen: the Savoy Theatre was destroyed in a fire in 1990 but has been restored to look exactly as it did in 1929 when it was built

There are three aspects to the restoration that should be critically considered: the quality of the interior decoration, the efficiency of the installation of modern technology, and the overall architectural effect. The architects for the restoration are Sir William Whitfield and Partners, the technics are by Theatre Projects Consultants and the engineers are Max Fordham and Partners. It is not an easy task to combine the virtues of a Grade I listed interior with the demands of modern theatrical machinery, lighting and comfort. At the new Savoy I felt all this had been achieved very effectively bearing in mind the tightness of the site and the wish of the Savoy group to add on a fitness suite to the hotel as part of the rebuilding. The success lies in the architect's reticence. Whitfield Partners have in a way taken a back seat to Basil Ionides, making many of the current improvements practically invisible.

Surprisingly, no drawings existed of the 1929 decorative scheme, although there were contemporary photographs and written descriptions. Whitfield Partners are fortunate in having Red Mason on their staff because he is the most dogged and effective architectural researcher in the business. His work at Christ Church, Spitalfields, has been exemplary and at the Savoy Theatre he was not daunted by the lack of evidence. The building accounts make it clear that aluminium leaf was used for the gilding, and the dazzling gold and multi-colour effects were produced by the use of coloured varnishes. The vivid and luxurious carpets were reproduced from tiny scraps that survived the fire. Paint scraping is a fine art today and the extent of the detective work is hard to imagine. A great deal of time was spent in the Victoria and Albert Museum where the sources of much of the decorative motifs were found. An antique Chinese screen in the museum seems to have been the root of many of the Chinoiserie panels around the proscenium.

The effect of the steeply raked auditorium is dazzling and many may find it vulgar. Art Deco is an acquired taste. Ionides looked to China, Egypt, Mexico for his sources and then mixed them up with a fashionable angularity that today seems entirely of the 1920s. The drop safety curtain comes as something of a shock, striped as it is in scarlet and orange. It is rumoured that when the theatre opened, members of the audience were encouraged to telephone ahead and select their seat by colour – it was crucial that the flappers' dresses should not clash with the decor.

Today our colour sensitivities seem less developed. It is hard to take Ionides seriously when he writes in detail about colour in his book, *Colour and Interior Decoration*, because we have been so conditioned by architects of the modern movement to think that everything should be white or grey. The joy of the Savoy is that it does bring back colour to interior design in a provocative, sensual and slightly shocking way. It is right for a theatre and right for that mood of excitement before the curtain rises. What the Art Deco moment did achieve, particularly in its more triumphant manifestations in New York, was a sense of stylistic climax, a flash of joy that is rare indeed in architecture and perhaps belongs most of all in the theatre.

Theatre/**Alannah Hopkin**

The Hamlet Project

Fiona Shaw has taken a group of young actors from the Abbey Theatre and made them into a fine company of Shakespeareans. *The Hamlet Project* grew from her workshop sessions at the Abbey last summer into a full-scale production of the play which opened at the Galway Arts Festival and will tour Ireland for the next month.

It is an exciting Hamlet, demanding of both actors and audience. It runs for two and a half hours without interval in one corner of a vast, leaky munitions warehouse. Similarly large, uncomfortable and unorthodox venues have been carefully selected for the tour. Use of props is minimal, costume is present day casual, and there is no set as such. The 10 actors rely on voice, movement and energy – and Fiona Shaw's often inspired direction – to put new life into the familiar words.

The opening ghost scene is lit only by candles in jam jars and, after a long mood-setting silence, is played in terrified whispers. Entrances and exits are made through the audience, usually at running pace. As the play progresses the empty spaces of the other three-quarters of the warehouse are brought into use: Hamlet's "To be or not to be" soliloquy is sprung suddenly upon the backs of the audience; Ophelia's final scene is delivered from the top of a distant railway carriage-sized shipping container.

The very absence of normal theatrical trappings becomes a virtue, leading to ever more ingenious improvisations. For example, the midnight chimes which herald the second appearance of the ghost are banged out on a cast iron pillar; a circle of rope spread on the floor becomes the players' stage. There is an authentic Elizabethan feel to such low-tech makeshift measures. Hamlet's apparent madness is signalled simply but strongly by his appearance in court naked, his body bruised and scratched: he wraps his arms in black plastic sticky tape while delivering his lines.

Instead of drilling Irish voices into standard Shakespearean English, the policy seems to be to let each actor work with the accent that he or she is most at home with. It took some time to tune the ears to unexpected Irish cadences, but once in tune the diversity seemed to enhance and refreshen the verse.

Jane Brennan, an unusually youthful Gertrude improves as the evening goes on, finally achieving remarkable depth of feeling. Ophelia, a small, childlike woman played by Anna Livia Ryan, raised the hair on the back of the head with her loud songs of madness, and went on to maximum pathos in the "herb strewing scene" clad in white bra and pants with a bucket of water as her only prop. John Lynch as Hamlet looks the right age – 30 – and grew in moral stature so effectively that Horatio's words at his death – "now cracks a noble heart" made perfect sense. Sean McGinley's Claudius – who, like the whole cast, looked as if he had been sleeping rough for the last few months – is a guilt-ridden nervous wreck from the very start. Something rotten in the state of Denmark indeed.

But this *Hamlet* is so much a company achievement that it seems wrong to single out individual performances. This is no star vehicle but is the result of 10 dedicated actors working together to bring a reputedly difficult play alive for audiences who will include many coming across Shakespeare for the first time. This is an aggressive, hyperactive production which provides an unforgettable experience of theatre in the raw.

Opera/**Max Loppert**

A vintage year at Drottningholm

ELISABETH Söderström's long and glorious career in opera began in 1947, on the stage of the Drottningholm Court Theatre (she sang Mozart's Bastienne). The latest development of that career seems, therefore, peculiarly apt and symmetrically satisfying: she has taken over artistic direction of the annual summer festival at the Stockholm royal palace.

This year's programme represents her first go. Four main events are dotted across the three-and-a-half month schedule (May 20 – September 4): a Haydn opera and a *Figaro* ballet provided by Stockholm Royal Opera forces and, in home-grown productions, a Grétry *comédie-ballet* and an Italian comic opera by the Spaniard Vicente Martín y Soler. Nicholas McGegan, a British "period"-conscious opera conductor of ever-increasing international renown, takes over as music director; John Cox, a favoured Söderström collaborator from her Glyndebourne days, is one of this year's producers.

To judge from the two shows that I saw, Grétry's *Zémire et Azor* (1771) and Martín's *Una cosa rara* (1786), the Söderström era at Drottningholm has been launched in high style. A visitor's pleasure in this most perfectly preserved and artistically inspiring of the world's 18th century theatres is likely to be bounteous even when the fare is only moderately interesting or modest in execution levels. Since this year both shows were operas of high interest – operas hugely successful in their day that are eminently worth the re-discovery in ours – and both performances were full of vitality, one's cup was in danger of running over.

Arnold Ostman, the previous Drottningholm artistic and musical director, pursued over his 12 years in office a survey of the peaks of 18th century opera – in other words, Mozart and Gluck. Söderström, wanting to examine the territory around those peaks, has with Grétry and Martín launched a programme which she subtitles "Perspectives on Mozart". *Una cosa rara*, an obvious candidate for any such enterprise, was composed on a text by Da Ponte and given in Vienna six months after *Figaro*, with many of the first *Figaro* singers in its cast.

It is full of Mozartian-sounding music; indeed, most opera people know of the opera, if at all, through Mozart's witty "in-joke" quotation from Martín's Act 1 finale in the supper scene of *Don Giovanni*. But there is far more to *Una cosa rara* – as a British colleague said at interval, as we stumbled out on to the Drottningholm lawns high on all the zest, buoyancy and inventiveness on offer, "Where has this opera *been* all our lives?"

Da Ponte's libretto, with a heroine who remains true to her shepherd beloved in spite of various attempts on her virtue from higher up the social scale, is a brilliantly plotted eight-hander up to the halfway mark which loses pace and impetus thereafter. This, and the sense one gains that Martín's melodies, structural elaborations and character developments lack sustained depth for all their captivating charm and telling detail, may be responsible for the opera's relative neglect. (In fact, modern revivals are not unknown – a 1968 London fringe staging featured the young Josephine Barstow and Alan Opie – and a recording from Barcelona has reached CD format.)

Nevertheless, in the light of McGegan's marvellously enjoyable account of *Una cosa rara* – keyed-up, brightly coloured, theatrically zestful at every moment – even relative neglect seems incomprehensible. There is a Spanish accent to many of the tunes, a Spanish patina to much of the scoring, (Martín started life as a *Madrid* zarzuela composer); it is this that underlines the distinctness of the opera's musical and dramatic character, and brings to a halt the inevitable game of contrast-and-compare with Mozart.

Francisco Negrin's production, though based (as everything always is) on the Drottningholm stock of "authentic" scenic components, was modern in an irritatingly unstylish way – too much farce, double-take and general knockabout, too much extraneously imposed dance movement. This was the only blot on the evening (and, in truth, only a minor one). In the opera's two leading roles, the faithful Lilla and the Queen (who offers wise counsel in difficult situations), the young Swedish soprano Elisabeth Berg and the more internationally experienced Swedish soprano Lena Nordin produced exactly the poised, unpushed tones required for the theatre. Among the men there was a tendency to loudness-for-its-own-sake, but no real weakness.

Zémire et Azor, a Beecham favourite, most affecting of all *Beauty and the Beast* operas, is another apt perspective on Mozart (who is said to have treasured his Grétry vocal score, and remembered Ali, the opera's servant-figure, when creating Papageno). It is also a beam of light on penetration of Gluckian ideals into French opera of all types in the latter part of the 18th century, promoting and sustaining as it does a line of simplicity – melodies catchy and characterful at first hearing, scoring light yet full of concealed subtleties – whose underlying strengths a Drottningholm production is admirably placed to flatter.

John Cox, at his best working in small theatres on intimate, elegantly fashioned subjects, was an admirable Grétry producer, Louis Langrée a sensitive, careful Grétry conductor. The cast, while short on outstanding voices, was balanced, musical, uniformly attractive. The opera was given in the Swedish translation first used in the era of Gustaf III himself, and – as with the Martín – *vaut le voyage*.

Drottningholm Festival season sponsored by Swedish Shell.

Choral Proms at the Albert Hall

This year's Promenade season has the look of a holding operation in anticipation of the 100th season in 1994. Budget constraints and a shortage of visiting orchestras from overseas (no doubt for the same reason) have left the director, John Drummond, calling on every ounce of his ingenuity.

Early music must have seemed an irresistible answer to his problems. The performing groups are small, presumably cost-effective; the audience response is likely to be good. I was surprised last year to find one early music programme, not especially popularist and taking place on a Monday evening which is always difficult to sell, attracting a full house with queues for returns straggling around the Royal Albert Hall.

So, for the BBC Proms 93 there is a proud parade of leading international early music groups. The Cologne Chamber Choir, formed in 1970, has been raising its profile through recordings of late. On Wednesday last week it came to London for a performance of Bach's B Minor Mass under its conductor and founder, Peter Neumann. Heard live, the choir did not disappoint: a youthful, well-balanced sound, clear and nimble, when asked to show its paces.

Even in the grandest Bach choral works, pace is essential these days. Neumann is an interpreter in the "authentic" style. For all its accomplishments, the performance was not very individual and is best described in terms of what it was not – not as soul-searching as Parrott, not as outgoing and public as Gardiner. The lightly-dancing Bach of Gustav Leonhardt is probably Neumann's nearest equivalent.

In the last resort the Albert Hall seemed too grand for a performance on this scale (swallowing up the delicate wind solos in the opening "Kyrie", for example, so that the strings' wisps of counter-melody strangely took the spotlight). The Collegium Cartusianum was the orchestra. The five able soloists were Christine Schäfer, Ursula Eittinger, Annette Markert, Christoph Prégardien and Gotthold Schwarz.

Richard Fairman

INTERNATIONAL ARTS GUIDE

■ BERLIN

THEATRE
West Side Story opens tomorrow at Metropol Theater for a 13-day run, followed by Evita from Aug 10 to 15 (2036 4117). The new Marlene Dietrich musical, starring Jutta Habicht, runs daily except Mon at Theater am Kurfürstendamm (300 6000). Neil Simon's play Runaway can be seen daily at Komödie (882 7893). Open-air performances of Shakespeare's A Midsummer Night's Dream begin tomorrow at Freilichtbühne an der Zitadelle (331 6920)
CONCERTS
Placido Domingo gives an open-air concert tonight at Waldbühne (301 5055). Berlin Chamber Orchestra plays a popular programme on Fri and Sat in the inner court of Schloss Charlottenburg (tickets available on site). There are daily jazz and rock events at Eierschale 1, II and III (832 7097, 882 5305, 272 7370)
● Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 6563 fax 882 6567) and Theaterkasse im Europa-Center (tel 261 7051 fax 261 9286)

■ BONN

Bonn's summer concert series includes a programme on Wed at the Münsterbasilika featuring a long-forgotten harsichord concerto by 18th century German composer Christian Gottlob Neefe, to be followed on Aug 6 and 7 by concert performances of his comic opera Die Einsprüche. Klassische Philharmonie Telekom Bonn gives orchestral concerts at Poppelsdorfer Schloss on Sat and Bad Gosesburg on Sun. André de Groote begins a series of recitals devoted to Beethoven piano sonatas at Beethoven-Haus on Aug 3 (655088/632500)

■ GENEVA

Hôtel de Ville Tonight: Stephane Grappeli 85th birthday concert. Wed: Thierry Fischer conducts Geneva Chamber Orchestra in works by Haydn, Mozart, Ravel and Debussy, with violin soloist Julie Lafontaine. Aug 9: Dee Dee Bridgewater (312 4353)
Théâtre de Verdure Wed: flamenco concert with Los Cinque de Madrid. Fri: Grupo Cafe, salsa explosion (386 3876)

■ HAMBURG

This week's shows at the Kampnagel experimental theatre festival include Mexican-American Agitprop group Guillermo Gomez-Pena and Coco Fusco (tomorrow, Wed, Thurs), the German premiere of Goran Stefanovski's acclaimed English-language theatre piece about the soul of Sarajevo (Wed to Sat), an evening entitled Arbeit Macht Frei presented by a theatre group from the north Israeli port of Akko (tonight, Wed, Thurs, Fri, Sun) and a video-play by German director Eva-Maria Martin (Sat and Sun). The festival runs till Aug 7 (270 5627)

■ MUNICH

OPERA FESTIVAL
National Theater Tonight: Bavarian State Ballet in choreographies by Balanchine, Christe and Kylian. Tomorrow: Thomas Hampson sings Schumann's Dichterliebe. Wed and Fri: Tosca with Anna Tomowa-Sintow and Neil Shicoff. Thurs and Sun: Roberto Abbado conducts Günther Krämer's new production of La traviata, with Julia Varady and Marcello Giordani. Sat: Meistersinger with Bernd Weikl and Lucia Popp. Next Mon: Donald Runnicles conducts Don Giovanni, with Thomas Allen and Carol Vaness (221316)
Cuvilliés-Theater Tonight: Felicity Lott and Ann Murray duo recital. Tomorrow: members of Bavarian State Orchestra play Brahms' String Sextet No 1 and Mendelssohn's Octet (221316)

■ NEW YORK

THEATRE
● Kiss of the Spider Woman: a Kander and Ebb musical based on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carver as the heroic homosexual window dresser (Broadhurst Theater, 235 West 44th St, 239 6200)
● Angels in America: Tony Kushner's epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200)
● A Perfect Ganesh: Terrence McNally's poignant play about two middle-aged women from Connecticut making a pilgrimage through India (Manhattan Theatre Club, at City Center, 131 West 55th St, 581 1212)
● She Loves Me: revival of award-winning 1963 musical by Joe Masteroff, Jerry Bock and Sheldon Harnick, about the romantic entanglements of a squabbling salesclerk and her manager (Roundabout, 1530 Broadway at 45th St, 869 8400)
● The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200)
MUSIC/DANCE
● New York City Opera's 50th anniversary season opens at State Theater on Wed with Carmen, in a revival of last year's staging by Jonathan Eaton, conducted by Guido Ajmone-Marsan, with Sharon Graham in the title role. La boheme follows on Thurs and Sat with Eva Zseller as Mimi, and Madama Butterfly will be performed on Fri in its original 1904 version, with Elizabeth Hynes in the title role. Tosca is revived on Aug 7 and Romberg's The Student Prince on Aug 14. The first new production is the New York premiere of Tippett's Midsummer Marriage on Sep 9 (870 5570)
● Kurt Masur conducts New York Philharmonic Orchestra in Brahms' Violin Concerto (Shlomo Mintz) and Schumann's Fourth Symphony on Wed and Thurs at Carnegie Hall (247 7800)
● Misha Dichter and Michael Morgan join Cleveland Quartet for tonight's Mozart and Schubert recital in the Mostly Mozart series, which continues daily except Sun till Aug 21 at Avery Fisher Hall. Tomorrow and Wed: Pinchas Zukerman is conductor and violinist in a programme featuring piano soloist Jon Kimura Parker. Thurs: Zukerman and friends chamber music evening. Fri and Sat: John Nelson conducts, Alicia de Larrocha is piano soloist (875 5030)

■ STUTTGART

LUDWIGSBURG FESTIVAL
Justis Frantz is conductor and piano soloist with the Royal Philharmonic Orchestra on Wed, in a programme featuring Beethoven's First Piano Concerto and Dvorak's Ninth Symphony. The next event is a Jessye Norman recital on Aug 6 (07141-949610)

■ VIENNA

● Trisha Brown Dance Company gives performances tomorrow and Wed at Volkstheater as part of Vienna's summer dance festival, which runs till Aug 8. Other visitors include Stephen Petronio Dance Company and Finnish National Ballet (935558)
● The season of open-air performances in the palace gardens of Schönbrunn runs till Aug 14, with a Vienna Kammeroper production of Don Giovanni alternating with Moscow Chamber Ballet's staging of Mozart's Requiem (513 0851)
● Klangbogen: the London Symphony Orchestra gives concerts at the Konzerthaus on Wed, Thurs and Fri as part of Vienna's summer concert series. Michael Tilson Thomas conducts works by Bernstein, Gershwin, Beethoven, Richard Strauss, Debussy and Stravinsky. In the concert on Fri, Thomas Hampson sings Mahler's Lieder eines fahrenden Gesellen. Aug 5: Leonard Slatkin conducts European Community Youth Orchestra, with piano soloist Emanuel Ax (4000 8410)

■ ZURICH

KYBURGIADE
Last year's inaugural event was so successful that the Kyburgiade (Aug 12-17) seems certain to become a fixture on the map of chamber music festivals. It owes its unique atmosphere to the open-air setting of Kyburg Castle, and to the participation of one of Europe's leading young string quartets, the Carmina Quartet. They are joined this year by the Vienna String Sextet, the Orlando and Cherubini Quartets and Basle Madrigal Soloists. The programmes range from Beethoven, Brahms and Dvorak, to less familiar music by Bruckner and Fanny Hensel-Mendelssohn (Internationales Kammermusik-Festival auf Schloss Kyburg, Postfach 408, CH-8400 Winterthur, Switzerland)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Sky News: Financial Times Reports 1330; 2030

Blueprint for better policing in the UK

PERSONAL VIEW

I never thought that I would come to miss the Takeover Panel, critical though I have sometimes been of it when we have crossed swords in the past. However, I rather wish the Police Federation was subject to the demand for accuracy the panel imposes. The federation's response to our report has been so long on emotion and so short on factual content that the shareholders (the public at large) must be confused.

The report is the culmination of an inquiry into police responsibilities and rewards set up 12 months ago by the home secretary. The committee's other members included John Bullock, Professor Eric Caines, Professor Colin Campbell and Sir Paul Fox, each being appointed on the basis of their experience in managing large organisations both inside and outside the public sector.

We fully recognised that our lack of professional experience of working with the police service made it vital that we should learn about the police at first hand, so we made 55 visits to 24 forces. We found that police constables felt badly managed and chief officers lacked the tools to manage them.

What changes are we actually recommending to taxpayers' investment in the police? Our objectives were: to retain the best policing based on consent; to increase the number of officers doing real policing; to give chief officers the flexibility to manage; to enhance the empowerment of all ranks but require greater local accountability; and to recommend a radically different pay and rewards system to bring these objectives about.

The two elements of the recommended pay and rewards system that have aroused the most criticism are the introduction of performance-related pay and the move to fixed-term appointments.

It has been claimed that fixed-term appointments are inconsistent with the concept of the police service as a vocation and that they would make it impossible for an officer to have a "job for life". This is a curious argument. Anyone who really has a vocation can still make the police service a "job for life" and, moreover, the service will reward their expertise and dedication, better than it does at present.

Fixed-term appointments provide an opportunity for officers to review their careers, to consider their options both inside and outside the service and to leave with dignity and a fair compensation package, if that is the best course.

In other professions, individuals of the highest calibre are not put off by the absence of a guaranteed "job for life". On the contrary, their motivation to provide the best service possible is directly related to the importance placed on the quality of its delivery.

The only grounds for refusing to renew a fixed-term appointment are specified in our report: they are medical unfitness, gross misconduct, manifest incompetence or severance on structural grounds. Not even the most partisan police officer could disagree with the first three. And dismissal on "structural grounds", though it may sound like a sinister catch-all provision for the aged and the unwanted, in fact has a highly specific meaning: it will occur only when there is either nothing for an officer to do, or when there is nothing which he or she is capable of doing.

To say team spirit and cohesiveness of the service will be destroyed is an exaggeration

In reality, it is likely that very few police officers will have their career prospects abruptly terminated by the non-renewal of a fixed-term appointment.

Performance-related pay is an equally contentious area and has been labelled as just about everything from divisive to impractical. The chorus of disapproval has tended to obscure the inquiry's recommendation that performance itself should only be one element in the matrix. Between them there are 12 points to be allocated in order to determine an officer's position on the basic pay scale. Only three points relate to performance, amounting to no more than 10-15 per cent of the basic pay an officer could receive.

The service has already acknowledged that it could work with the other elements of the matrix – role scope; circumstances and experience and skills. Is it the case that the service is saying that it cannot cope with a system that incorporates this modest, but important, element to recognise individual performance? Officers in management positions already make complicated judgments about the relative skills of people under their command, and all officers are posted, and progress through the service, on the basis of just such judgments.

The inquiry seeks to formalise this process, reward an officer's performance through pay and, via the appraisal system, ensure that officers are treated fairly and can comment on judgments that are made.

To say this process, and the payments to be made, will destroy team spirit and cohesiveness of the service must be an exaggeration. At present, officers stand side by side in public order incidents but their pay differs because of their length of service, regardless of unsatisfactory, satisfactory or outstanding performance.

The inquiry has never claimed that acceptance of its recommendations would lead to a reduction in crime but it has certainly suggested that a better led, better managed and more accountable police service could win greater public confidence. This, in turn, should lead to better co-operation from the public, which is the essential element in the fight against crime and which, sadly, is an ingredient which has been diminishing year by year.

Sir Patrick Sheehy

The author – who is head of BAT Industries – is chairman of the government-appointed Committee on Police Roles and Responsibilities.

Sluggish growth is speeding the pace of change in South Korean labour relations, says **John Burton**

A different way to tame the tiger

It was a scene reminiscent of the days of military dictatorship in the 1980s: riot police last week amassed outside Hyundai Motor, ready to suppress a strike declared illegal by the South Korean government. At another Hyundai plant, 1,000 police dismantled barricades erected by workers staging a sit-in in an unsuccessful attempt to arrest five trade union leaders.

This police action, however, was ordered not by the military but by a new civilian government, which had promised labour reforms, including improvements in workers' rights and non-interference by the state in wage negotiations, when it took power five months ago.

Although the crackdown might suggest South Korea is entering another period of acrimonious labour relations, the 52 days of strife at Hyundai, the country's largest industrial conglomerate, stand out against a background of generally improving labour relations.

The government's strong-arm tactics paid quick dividends. Hours after it ordered the Hyundai Motor workers to suspend their action, labour and management reached a compromise settlement that was narrowly approved by the workforce of 29,500 on Friday. The eight other Hyundai companies on strike are expected to resume work soon.

Even with the Hyundai dispute, South Korea's strike record has improved sharply this year. Strikes have fallen by almost 50 per cent to about 100 so far this year.

More than 60 per cent of wage negotiations among the country's 5,500 biggest companies have already been concluded – faster than in 1992. And pay increases among big companies are lower, with an average rise of 4.77 per cent against 6.92 per cent in 1992. This is the result of an unprecedented wage agreement reached in April between the Korean Employers' Federation and the Federation of Korean Trade Unions, which established guidelines for pay rises of between 4.7 per cent and 8.9 per cent. General wage levels, reflecting sharper increases among small companies, are expected to grow 11 per cent this year against 15.2 per cent in 1992 and an average 16.4 per cent a year since 1987.

The double-digit wage growth of recent years means South Korea now has the highest wages on the Asian mainland, and is losing market share to low-cost producers in China and south-east Asia. In addition, some Korean companies are moving production facilities to other Asian countries to take advantage of cheaper labour costs. While manufacturing wages have more than doubled since 1987, productivity has lagged behind, rising 60 per cent.

The improvement in labour relations thus bodes well for a government struggling to restore competitiveness and revive a sluggish economy. South Korea recorded its slowest growth in 12 years in 1992 at 4.7 per cent. Estimated growth of 5.7 per cent this year, although impressive by western standards, is among the lowest in Asia.

Unemployment, although modest at 2.8 per cent, is creeping up, raising concerns about job security.

"Korean workers realise they can no longer ask for the sky in terms of wages because it undermines their job prospects," explained Mr Stephen Marvin, head of research at Jardine Fleming, the stockbrokers, in Seoul. "A record number of bankruptcies last year have added to their worries."

A fall in the inflation rate to 5 per cent against the double-digit rates of recent years is also persuading workers to accept lower pay increases.

The dispute at Hyundai, the nation's leading industrial exporter, had spoilt this otherwise bright picture. But the strikes that affected almost a third of Hyundai's 34 subsidiaries, including its main auto and shipbuilding units, have taken a heavy toll. The Bank of Korea estimates that the dispute has cut the GNP growth rate by 0.17 percentage points and export growth by 0.32 per cent. This, according to the central bank, is the main reason why the GNP growth rate this year will fall short of the government's 6 per cent target.

The Hyundai strife stands out against a background of improving labour relations

The dispute cost $283m in lost exports, exceeding the $260m in total exports lost to stoppages in 1992, according to the government.

Hyundai has suffered sales losses of Won595.5bn, about 10 per cent of its projected turnover for 1993. Lost production resulting from the strike reached Won1,234bn, including Won475bn in lost business among its subcontractors.

Yet some observers believe the government, in raising the prospect of labour reforms, is itself partly to blame for the industrial action at Hyundai. "The government raised workers' expections too high when it proposed several labour reforms this spring. These reforms became part of the Hyundai workers' demands to management," explained Mr Lee Hahn-koo, president of the Daewoo Research Institute.

Mr Rhee In-je, the new labour minister and a former dissident lawyer, had suggested that workers receive partial pay during strikes, and be given a greater say in management and hiring policy. The government backed away from the labour reform proposals when it appeared they were becoming a contentious issue at Hyundai and other companies.

The Hyundai workers, however, did not strike for these reforms alone. They also sought average wage increases of 16 per cent, against the company offer of 4.7 per cent, a shorter working week of 40 hours and benefits such as housing subsidies. Under the final agreement, the workers accepted the company's pay offer in exchange for increased fringe benefits, while dropping demands for union involvement in decision-making.

Although the government's decision to rely on a show of force to curtail the Hyundai strike was embarrassing for President Kim Young-sam, he accused the Hyundai workers of making "selfish" demands, which threatened to derail his economic recovery programme.

"With its intervention at Hyundai, the government has shown that it places a higher priority on economic recovery than labour reform," said Mr Lee Keunmo, head of research at Barings Securities in Seoul. "But this does not mean that labour reform is dead, although the pace of its implementation has been slowed," he added.

"The greater involvement of labour in management decisions, for example, will come naturally, since the government wants to reduce family ownership of the *chaebol* [Korean conglomerates] by promoting share ownership among the workforce. This should reduce strikes in the future as workers identify their interests with the company."

And there are signs Mr Kim will try to make amends with the unions by making Hyundai an early target for reform, reducing the management powers of Hyundai's owners, the Chung family. Mr Kim has been engaged in a political feud with Mr Chung Ju-yung, the Hyundai founder, since the two were rivals in last year's presidential election.

"The biggest ramification of the strike may be on the future management of Hyundai. The government is righteously angry at Hyundai for letting the labour situation get out of control and it blames its owners for the labour problems there," says Mr Marvin. "We could see the government compelling Hyundai to allow a greater management role for labour." What looked like a defeat for labour last week at Hyundai may yet turn out to be a victory.

South Korea: more settled on the labour front

	1987	1988	1989	1990	1991	1992	1993
Number of labour disputes	3,617	1,873	1,616	322	234	235	97*
Wage growth in nominal % terms	10.1	15.5	21.1	18.8	17.5	15.2	11.0**
Wage growth in real terms	7.1	8.4	15.4	10.2	8.2	9.0	6.0**

* As at July 20. ** Estimated

Source: Ministry of Labour; Jardine Fleming

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Ammunition against red tape

From Mr Bryan Cassidy.

Sir, You expressed dissatisfaction at the limited results from the Government's Review of the Implementation and Enforcement of EC Law in the UK ("Red tape", July 21).

At first reading, the scrutiny report appears to be a bit of a white-wash. But on closer reading the document is pretty damning of the way in which the UK approaches both negotiation and implementation of EC law. In particular, the report concludes that UK implementation of legislation does tend to go beyond the requirements of EC directives; that this amounts to a more burdensome regime for UK business which is potentially damaging to the UK's competitive position.

Also identified is a weakness in the UK approach whereby negotiation and implementation are seen as separate processes. In consequence, implementation difficulties are not anticipated sufficiently to influence the negotiating process.

Particularly damning is the report's case study into the Home Office's proposals for new fire safely regulations. These were wrongly claimed to be consequent upon a non-existent EC fire safety directive and would have imposed major new burdens on British business. The report recommends that "the Home Office Fire Department should reconsider its current plans to bring forward revised regulations".

There is plenty of ammunition in the report for those who wish to continue the campaign against unnecessary regulation in the UK.

Bryan Cassidy,
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Blandford, Dorset DT11 7BU

Bosnia view not logical

From Dr Bryn Jones.

Sir, Mate Boban (Personal View, July 22) justifies the ethnic partition of Bosnia by comparing it to the confederation of the 13 colonies into the United States. The inadequacy of this analogy exposes the poverty of the partitioners' case. No outside powers sought to impose a constitution, and the US was established on the basis of the separation of religious identity from governmental powers.

If Owen-Stoltenberg, UK foreign secretary Douglas Hurd and President Bill Clinton go along with the Boban logic they will be tearing up a 200-year-old tradition of civic rights and returning Europe to those wars of religion by which semi-feudal regimes enforced religious homogeneity. Some Bosnians may have voted on "ethnic" lines. None was given the chance to choose democratic and negotiated reforms rather than military partition. If the United Nations could organise democratic choice in Cambodia, why not – even now – in Bosnia?

Bryn Jones,
7 Dowding Road,
Bath BA1 6QJ

Alleviating a struggle

From Mr L S Davies

Sir, Yet again, you carry an article – by Vaclav Klaus – criticising the effectiveness of western support for the development of central and eastern Europe (Personal View, July 19).

As a manager working with projects for that part of the world, I am aware of the conflicts with which any development agency has to struggle. It seems to me the time-scale for conversion to market economies is too long for most western financial institutions, including the European Bank for Reconstruction and Development. There is little possibility of establishing "regional planning studies" Klaus refers to without some basic economic stimulus upon which to base mid-term projections.

As I previously suggested (Letters, May 27), industry needs support for the "exceptional" costs it has to incur as a price of entry to the area – not merely loan programmes, but full-blown subsidy. The UK's Know-How-Fund makes a valiant effort with limited resources – the EC's PHARE assistance programme has yet to break through into industrial development. Until significant amounts of the "political" aid programmes are diverted to these requirements, our neighbours in the east will struggle to achieve adequate levels of inward investment.

L S Davies,
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South Africa's missing structure

From Mr Chris Jones.

Sir, Patti Waldmeir's contention that "western-style democracy will find it hard to resolve" South Africa's conflicts (July 22) needs qualifying. Western democracy began with local government, from which democratic national government evolved. Local conflicts described by Ms Waldmeir need the appropriate local structures for accountability and conflict resolution.

What South Africa must avoid is the "African-style democracy" that plunged Angola back into civil war: an imposed national poll, within a virtually non-existent constitutional framework, with an overwhelming popular perception of winner-take-all. The South African negotiators' setting of a national poll date, preceding any clear decision on what South Africans will actually be voting for, can only set alarm bells ringing.

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Straight(er) view of the environment needed

From Mr Jonathan Sinclair-Wilson.

Sir, While I welcome the emphasis you put on people's well-being in your editorial, "Clarifying the green agenda" (July 21), there are many things in it to quarrel with. Let me take just two points.

I am not sure that it makes sense to speak of a "purest" form of the concept of sustainability. It is a complicated idea, made more so by being used to sharpen quite different political axes. But perhaps the simplest analogy is with the agricultural idea of husbandry, of managing one's resources and risks to ensure a continuing livelihood through thin as well as thick. Central to it is the need to balance short-term and better-known consequences against long-term, less certain ones, the argument being that the scale of some of the longer-term dangers more than outweighs the uncertainty of their occurrence. (A secular version of Pascal's Wagner, which works.) The policies it advocates involve trade-offs which depend on the state of knowledge at the time, and as that evolves so do the policies have to change. Nothing new in that, but it expressly does not consist, as your leader would have it, of a simple dictum such as "conservation for its own sake" (though there are cases where that may be right, too). Ring-fencing the prettier parts of nature can be a direct way of undermining livelihoods and with them the well-being which should be sustained.

I was also breath-taken by the complacency with which you view the damage to the ozone layer, as though with a Protocol and a bit, we can all rest easy on the beach. There is a clear correlation between UV exposure and skin cancer and I would have thought that ozone thinning presented one of the clearest examples of the risks to health which you started out by saying were the best reason for acting in environmental questions. OK, some action has been taken, but if CFC production were to stop today (and it won't), the ozone layer will still get thinner before it gets thicker, perhaps much thinner. And, quite apart from the suffering and the medical bills, there is the imponderable threat the radiation poses to the bottom of the food chain in the southern ocean. There might also, one would have thought, be some salutary lessons to be drawn from the fact that such an apparently inert and benign gas could, in the course of half a century, wreak such damage. Those long-term consequences again.

I don't dispute that sound environmental policy requires priorities, but perhaps the first is to get the subject straight(er).

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Monday July 26 1993

Growing pains at Microsoft

THE NEWS that the US Justice Department is considering anti-trust action against Microsoft raises intriguing issues of public policy. On the one hand, Microsoft's dominance of the computer software industry is on a scale calculated to arouse the old US trust-busting instinct. On the other, the Clinton administration is pledged to create high-tech employment. Does it really want to take a sledge-hammer to the national champion in a vital technology of the future?

The latter point deserves careful consideration. If US manufacturers have maintained their grip on the world market for personal computers, that is partly because Microsoft created an industry standard for the software which drives them. It may now seem easy to dismiss Japan's software industry as handicapped by the Japanese language and written characters. But these have formed no barrier in other fields of technology. It is thought-provoking to consider how the world computer industry might have evolved over the past decade if Microsoft had never existed.

The trust-busting argument is no less persuasive. There seems no question that Microsoft is, to put it mildly, a highly aggressive company. The list of its alleged abuses of power is a long one, from striking exclusive deals with its customers to misleading the public about rival products. How far all that is true – and if true, illegal – has yet to be established. But it is worth remarking that complaints about the company's behaviour have been raised in other jurisdictions, including the UK. And in principle, it remains the case that suppression of competition harms the consumer and risks stunting the development of the industry.

National interest

But the administration might perhaps consider the national interest on wider grounds. Even supposing the US consumer and Microsoft's smaller US competitors are being hurt, perhaps that might be a price worth paying if the US computer industry as a whole is thereby strengthened against world competition.

In this context, it is worth considering the recent history of IBM, itself the subject of close anti-trust scrutiny in the late 1960s and early 1970s. In the event, IBM was left intact; but given its own recent efforts to loosen its monolithic structure, breaking it up earlier might have been no bad thing. As it is, IBM's relative decline in recent years has not opened the door to foreign competition. On the contrary, it has let in a younger generation of US companies, from Compaq and Intel to Microsoft itself.

Dominant companies

Nor does history suggest that the breaking up of dominant companies has in in fact harmed the economy in question. The break-up of Standard Oil produced a formidable array of US oil companies, from Exxon and Texaco to Mobil and Chevron. When the giant German chemical combine IG Farben was dissolved by the allies at the end of the second world war, the effect was to liberate the German industry under the separate banners of Hoechst, Bayer and BASF. When the US anti-trust authorities broke up AT&T, it went on to be perhaps the most formidable telecommunications company in the world.

It has been suggested before now that Microsoft should be broken up into two parts, one producing the basic operating software which represents the industry standard, the other producing the next stage of applications software in competition with the rest of the industry. At present, the Federal Trade Commission seems to have backed away from anything so radical; but if the case were to be taken up by the Justice Department, radical solutions could be back on the agenda.

Failing that, it would help if Microsoft were to take a more mature view of its responsibilities. IBM has come to accept its role in the worldwide computer hardware industry, and is careful not to be seen stamping on emerging competitors. In just the same way, the big Japanese electronic companies have come to accept that the old killer approach to international competition makes diminishing sense in a world dominated by political sensitivities. As a young company with a phenomenal record, Microsoft might perhaps dismiss all that as wimpish. If so, it is the job of the Clinton administration to persuade it otherwise.

Complacency and esoteric money

THE GROWTH in the volume of trade in derivative financial instruments such as swaps, forwards, futures and options, has been an impressive but slightly disconcerting feature of modern capital markets. There is good reason to welcome the resulting opportunity for improved risk management at individual banks, together with the wider economic benefits that arise from increased financial efficiency. But innovation can pose threats for the system; and in today's global market, such risks are infectious. In downplaying the systemic challenge in a report published last week, members of the Washington-based Group of Thirty (G30) think tank err on the side of complacency.

The report is right in attributing to management the prime responsibility for controlling risk. Its recommendations on how the job should be tackled are, in the main, constructive. The controversy arises from a statement that the amount of capital needed to support dealing in derivatives is "a matter of judgment for individual institutions, depending on their appetite for risk and their ability to measure and manage it". This is followed by an assertion that there is no need for any change in the present regulatory arrangements because the nature of the risk in derivatives is no different in kind or scale from those already present in other markets.

Twitching eyebrows

That should make the eyebrows of any self-respecting central banker twitch uncontrollably. Of course, it is true that the danger in new financial instruments lies in such old-fashioned threats as credit risk and market risk. But there is one basic practical, as opposed to theoretical, difference in the present market place. Most of the people now in charge of the institutions that deal in derivatives learned their trade before computerisation introduced an unprecedented degree of complexity into financial products. They were also brought up in a period when the culture of banking smacked more of the co-operative ethos that prevails in utilities than the current ethos of aggressive profit maximisation.

The implication is that operational risk, resulting from inadequate systems, human error or management failure, is unusually acute in derivatives. So, too, in view of the novelty and international nature of the business, is the legal risk that contracts may prove unenforceable. And given that a majority of the trade is through privately negotiated contracts in over-the-counter markets, there is also less discipline from disclosure than in business conducted on organised exchanges. After the Third World lending débacle and the subsequent disaster in property lending, it would clearly be foolish to take anything on trust from the banks.

Financial innovations

The authors of the G30 report would be entitled to respond that despite the plethora of financial innovations over the past decade or so, no bank of significance has foundered as a result of the mismanagement of these risks. But that is hardly surprising: as the report itself points out, the size of derivatives business is modest in relation to trading in bonds, equities or foreign exchange. The headline figures may sound frightening – \$3.9 trillion swaps outstanding at the end of 1991 – but the real measure of risk is a much smaller and less readily available figure, namely the cost of replacing the cash flows over the rest of the derivative instruments' lives at prevailing interest and exchange rates.

Even so, there have been expensive, if underpublicised, cases of mis-pricing of derivatives at large international banks. And the Bank of Credit and Commerce International (BCCI) would have gone out of business in 1986, after losing nearly \$300m on options trading, had not the ruler of Abu Dhabi come to the rescue. Much politically inspired criticism of derivatives, notably after the Crash of 1987 and the later Tokyo market crash at the start of this decade, has been ill-founded. But the reservations expressed by successive heads of the New York Federal Reserve and by officials at the Bank for International Settlements are plain common sense. Ensuring a tough capital regime for derivatives should remain a high priority of the central banking fraternity for the foreseeable future.

Unilever must cut costs or increase prices if profit margins are to stay ahead of the pack, says **Tony Jackson**

Days of making hay are over

If the stock market is a guide, Unilever is in trouble. Back at the start of April, the US tobacco company Philip Morris slashed the price of Marlboro cigarettes. Unilever's shares fell sharply. Two weeks ago they fell again, when the detergent maker Procter & Gamble said it was closing a fifth of its factories. For the stock market, the two announcements meant one thing: consumer brands are losing value in the penny-pinching 1990s. Unilever, a giant in the world of food, detergents and toiletries, is the brand manufacturer *par excellence*. Thus, since the Marlboro news broke, its own value has fallen by a fifth.

Round at Unilever's monumentally imposing London headquarters, these arguments are stoutly rejected. Take the two events in context, the company says. The Marlboro affair is irrelevant: the price of the brand stood a phenomenal 70 per cent above the own-label competition. None of Unilever's brands carries remotely that kind of premium.

As for Procter & Gamble, which is a direct competitor, Unilever admits a touch of surprise at the scale of the closures. But the process itself, Unilever insists, is not surprising in the least. The industry has been restructuring since the late 1980s, and will do so for the foreseeable future. Unilever itself has spent almost £600m on closing and relocating production over the past five years. If anything, Procter & Gamble is catching up with the pack.

And, above all, says Unilever, look at the factors which underlie the two events: recession, increasing competition, the concentration of the retail trade and the rise of own-label goods. None of these is new. The basic value of brands remains unchanged.

So far, Unilever is ahead on points. But the stock market could still be right for the wrong reasons. The fundamental issue is one of profit margins; and leaving aside brands *versus* own-label, margins could still be under threat.

The crucial importance of margins to Unilever is illustrated by one simple fact. Over the past decade, its sales measured in dollars have doubled. So has the world's nominal GDP. In other words, as a supplier of basic goods for eating and washing, Unilever grows in line with the world in which it operates. If it wants to beat the average in profit terms, it must raise its real prices or cut its costs.

In recent years, it has done the latter. Since the late 1980s, the company says, it has been able to raise its prices by only between two thirds and three quarters of the inflation rate across the countries in which it sells. But thanks to that £600m spent on reorganisation – plus a steadily rising bill for research and development, much of it directed at cheaper manufacturing processes – costs have fallen faster than real prices. As a result, though sales have only doubled, net profits have tripled; and as the company proudly observes, its net margins now are the same as its operating margins were a decade ago.

But this is to make it sound too easy. What Unilever has in fact managed to do since the mid-1980s is hold on to most of the benefits of its improved productivity, rather than passing them on to the consumer. In the same period, Procter & Gamble has done the same: its operating margins rose from 9.9 per cent in 1985 to a peak of 13.5 per cent in 1991.

Comparison with other industries suggests life is not always so simple. In consumer electronics, the increases in productivity put Unilever and Procter & Gamble to shame. As the electronics manufacturers are fond of remarking, if their achievements in the past 20 years were matched by the car industry, a Rolls-Royce would now cost as much as a bicycle. But fast though costs have fallen, prices have fallen faster. The world's makers of TV sets, for instance, have collectively lost money for years.

If Unilever made hay in the late 1980s, it was not always so. As the chart shows, until 1985 its margins moved closely in line with the world economic cycle. Year by year, if world growth accelerated, Unilever's margins rose. If growth slowed, margins fell. Intuitively, this is not hard to account for. Unilever is continuously sparring with its rivals in hundreds of product markets across the world. In a year when the consumer is feeling affluent and volume is rising, a price rise is likely to be followed by the competition. In a bad year it will be challenged and undermined.

In the latter half of the 1980s that relationship seemed to break down. Whether the world economy slowed or accelerated, Unilever's margins – and its share price – kept rising to new heights. The company today is in no doubt about the reason. It is all down to the skill and persistence of management.

The actions taken come under two headings. First, Unilever's tradition used to be one of vertical integration: "from the palm tree to the soap-kettle", as the founder William Lever put it. The result was an immense sprawl of businesses. "It is easy to forget," Unilever's chairman Michael Perry told analysts last month, "how diverse our activities were only 10 years ago. We were in transport, distribution, market research, advertising, fishing, printing, plastics and packaging – you name it, Unilever had tried it."

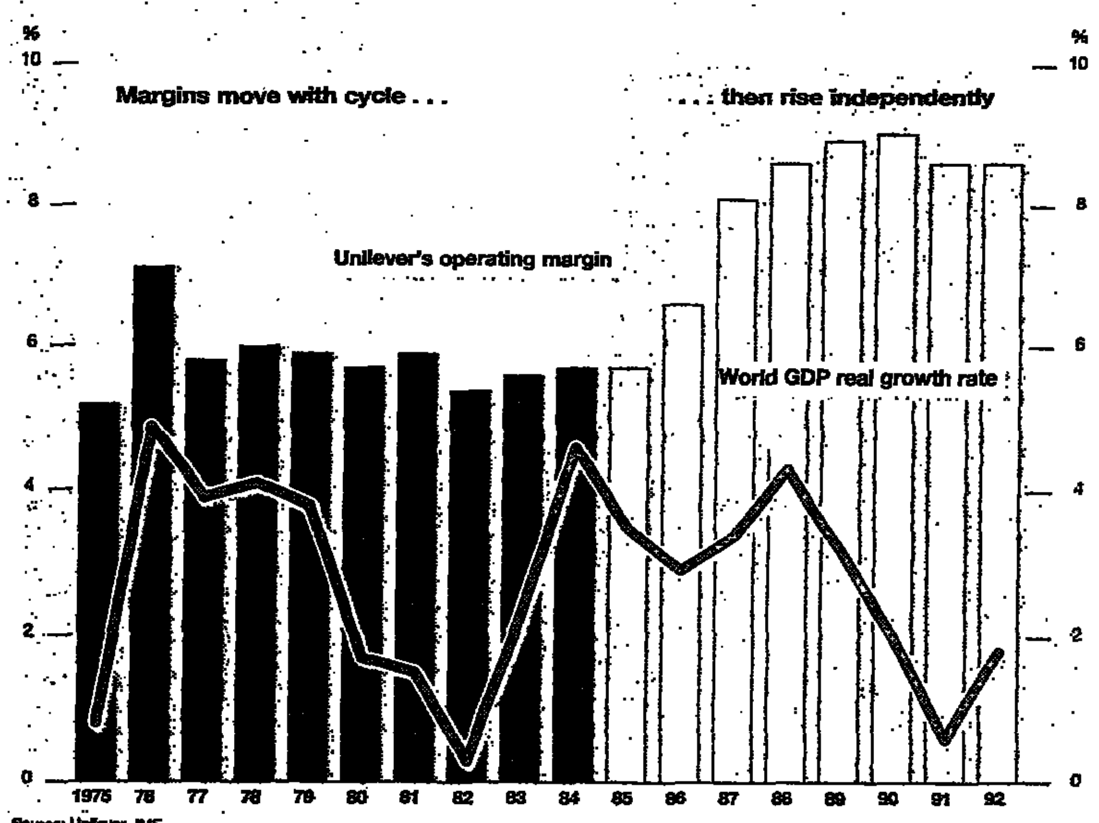
In the early 1980s, most of those businesses – accounting for nearly a quarter of group sales – were sold off. This was not only an exercise in the now fashionable doctrine of business focus. It also had the mechanical effect of improving group margins, since most of the businesses sold were low-margin by nature.

Beyond that, Unilever argues that it achieved a once-and-for-all margin improvement in the businesses it retained. This came from the physical relocation of production, the development of cheaper production methods and the more efficient deployment of a massive advertising and marketing budget. This process, the company insists, has further to run. In particular, the huge rationalisation of production undertaken at the start of the 1990s in preparation for the European single market has yet to work fully through to profits.

Against all that, old hands in the stock market have a familiar and maddening answer: once a cyclical, always a cyclical. It is in the nature of business managers to be optimists, and to believe when times are good that the cycle has been abolished. In the late 1980s the managers of Imperial Chemical Industries – like Unilever, enjoying the fattest margins they had ever seen – were honestly convinced that they had protected themselves against the next economic downturn. Last year, they made a net loss of almost £1bn.

Nothing so grievous will happen to Unilever. But as the company freely concedes, the improvements in productivity and efficiency on which it prides itself have been largely matched by its competitors. It is therefore hard to escape the conclusion that its profitability remains in the hands of its customers. The company appeals to history to demonstrate that the death of brands has been exaggerated. History equally suggests that in the cost-conscious 1990s, the margins of the free-wheeling 1980s cannot be sustained.

Unilever: the going gets harder



Source: Unilever, IMF

Samuel Brittan

A degenerative research programme

According to Professor Mark Blaug of the London School of Economics, monetarism has become a "degenerative research programme". What exactly does that mean? It all goes back to that great philosopher, Sir Karl Popper, who has consistently maintained that the test of a genuinely scientific theory is that it has withstood repeated attempts to falsify its implications. His pupil, Imre Lakatos, was impressed by how difficult it was to falsify any hypothesis convincingly. A defender could say that the initial conditions were wrongly stated or that disturbing influences had been at work.

Lakatos, therefore, switched his emphasis to bodies of related theories called "research programmes". These could not themselves be tested empirically. But if a research programme was progressive, it provided lots of subsidiary theories and hypotheses, which could both explain well-known facts and yield interesting and unexpected implications. A degenerative research programme, on the other hand, relied more and more on special factors and *ad hoc* explanations, and failed to throw up interesting and surprising predictions. A research programme could easily start out as a progressive one, and degenerate over time, as with monetarism.

The core of monetarism in its heyday was that monetary forces determined the rate of inflation in the long run. In the short run monetary forces could affect real output as well as inflation, but it was difficult to generalise about the mixture between the two effects.

Professor Milton Friedman originally put the typical lag before economic activity was affected at nine months and the typical lag before inflation changed at 18 months – although the final effects could be drawn out over many years. Friedman also suggested that monetary policy was best assessed by the growth of some measure of money and not by interest rates.

This, however, surely needed further investigation. Monetary policy has operated via interest rates throughout nearly all its recorded history. The high and variable inflation rate of the 1970s made nominal interest rates a very bad guide to the real cost of borrowing money. But this is no longer so obvious in the less inflationary 1990s.

The Fed complains that whatever it does it will be accused of not practising monetarism correctly

At any rate, since the beginning of this decade the Fed has reduced short-term interest rates from over 8¼ per cent to 3 per cent. European monetarists were celebrating these reductions as an example of what could be achieved in tackling recession by an independent central bank untainted by an exchange rate regime or target. Unfortunately for them, some hardline US monetarists have always maintained that the Fed, too, has got it wrong – because the growth of broad measures of money in the US has slowed down to a crawl.

A new paper* suggests that US monetary growth has been low as an indirect effect of the bailout operation for the Savings & Loan institutions. The thesis that the Fed has followed a tight money policy in disguise is difficult to sustain. The reluctance of bond rates to fall below 6½ per cent suggests that there are limits to how far the Fed can go without stirring up inflationary fears. US headline inflation has been around 3 per cent for more than a year and shows no sign of collapsing into deflation.

Above all, the monetary base – cash, plus deposits at the Fed – has been accelerating to an 8 per cent per annum growth rate, compared with a Friedman recommendation that it should be frozen altogether. Indeed, should inflationary symptoms reappear monetarists will quickly flip over from broad money to the monetary base. One can sympathise with Fed members who say that, whatever they do, they will be accused by monetarists of not practising the doctrine correctly.

The problem is that monetarists have succumbed to the market demand to explain output, employment and every twist and turn of the cycle. They should have stuck to the early statements which made it clear that theirs was a long-run doctrine about inflation, which might have a bearing on deflation and depression, but which did not explain the normal real forces at work in an economy, forces which were, in any case, not easily susceptible to influence by policy.

The monetarist research programme has cast its net too far and snapped as a result – which is hard for those of us who believe that monetary policy can have a moderating influence on boom and slump if its claims are not overstretched.

**Monetary Malpractice, by James Buchanan and David Fand. George Mason University, 4400 University Drive, Fairfax, Virginia 22030.*

OBSERVER

Go-go grocer shopped

■ Why are business schools as well as US corporations studying the food emporium in Connecticut run by go-ahead grocer Stew Leonard? The answer is his original marketing style which blends fun for children with a pile-em-high and sell-em-cheap approach. Among the stacks of meat, vegetables and so on are model cows that moo and egg-laying chickens, while staff dressed as animals roam around.

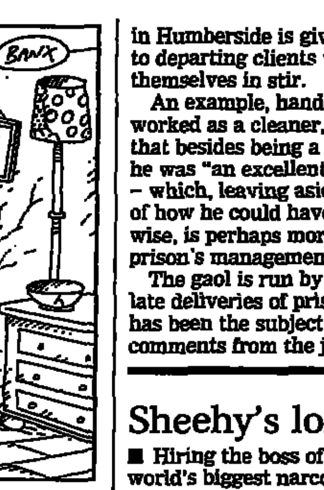
Even so, it is to be hoped business schools don't start endorsing another of 62-year-old Leonard's original approaches, this time to tax accounting, just revealed in a Connecticut court.

He pleaded guilty to conspiring to defraud the Federal Government of taxes on more than \$17m sales through a sophisticated scheme to conceal part of the store's turnover. The scam involved a computer program, hidden inside a hollowed out business directory, which altered records to hide discrepancies from the auditors.

Face to face

■ Fresh evidence that the division between the Labour party and its formerly loyal toastmaster, Mirror Group Newspapers, is more of a matrimonial tiff than a full scale divorce. One of the better known figures attending last week's party marking the first year of Democracy Now, the parliamentary pressure group for extending Labour party membership to Northern Ireland, was MGN chief executive David Montgomery.

Of course, he may just have turned up to chat to fellow Ulster folk. But it suggests that Montgomery may be a little less apolitical than is sometimes portrayed. Meanwhile, the presence of Lord Donoghue, senior policy adviser to two Labour prime ministers, indicates that the party's own internal divisions on Northern Ireland, could be harder to heal than the rift with the Mirror. For a start, Labour cannot even make up its mind on whether or not to allow the people of Northern Ireland to be party members.



'Hey, we've won 100bn dinars in the Serbian lottery'

Leaping sales

■ Lions, not to mention unicorns, had better steer well clear of Britain if the pom population follows the lead of the Australians. They have taken to eating one of their national emblems, the kangaroo, with gusto since it went on sale in one of the country's supermarket chains.

Previously sold for human consumption only in a few restaurants and delicatessens, the animal that supports one side of Australia's coat of arms has gone down far better than the chain expected. Indeed one of its stores, Big Fresh Franklins in Sydney, sold more in one day than had been budgeted for the whole week.

The huge sales prompted Sydney nutritionist Catherine Saxelby to forecast that Australians would soon be getting their teeth into the creature on the other side of the coat of arms – which, unlike the unicorn, has the disadvantage of not being mythical. It's the emu.

Time lag

■ Stung by the official prisons inspector's remark that most inmates prefer idleness to the many opportunities to make good use of their time, Wolds' private gaol in Humberside is giving references to departing clients who stirred themselves in stir.

An example, handed to one who worked as a cleaner, testifies that, that besides being a hard worker, he was "an excellent timekeeper" – which, leaving aside the question of how he could have been otherwise, is perhaps more than the prison's management could claim.

The gaol is run by Group 4, whose late deliveries of prisoners to courts has been the subject of acid comments from the judiciary.

Sheehy's lore

■ Hiring the boss of one of the world's biggest narcotic organisations to report on the pay and conditions of Britain's police officers always sounded a rather risky idea. But even a hardened industrialist like BAT Industries' chairman Sir Patrick Sheehy seems to have been bruised by the ferocity of the reaction to his committee's report on police reform.

Indeed, the hot response is a warning to elder business statesmen who fancy rounding off their distinguished careers with a bit of public service. It is one thing for private-sector types to be hired to knock a nationalised industry into privatised shape. But heading a public inquiry can be harder, and less satisfying, than a takeover triumph.

True, there have been success stories. Sir Roy Griffiths, a former deputy chairman of J Sainsbury, did a good job following through his 1983 inquiry into the management of the National Health Service. Lloyds Bank chairman Sir Robin Ibbs and Marks and Spencer's ex-chairman Lord Rayner won honourable mentions in dispatches for their work on improving government efficiency.

On the other hand, alas, Local Government Commission chief Sir John Banham and Sir James Blyth, chairman of the prime minister's advisory panel on the citizen's charter, may find it harder to win their public sector battle honours.

As Sheehy has found, the job doesn't stop with producing recommendations however cogent as well as radical. They also have to be sold to people not on the inquiry chairman's payroll.

Looking up

■ Eyes bleared by peering for signs of recovery in standard macro-economic data may sparkle anew at a micro-indicator of a spectacular up-turn soon to come. The indicator is the micro-miniskirt displayed by Karl Lagerfeld, for Chanel, at the Paris couture shows for autumn/winter 1993.

What's more Lagerfeld is by no means alone in discarding the recessionary low hemline. Gianni Versace, for example, has gone for mid-thigh baby doll nighties. Indeed, not since the optimistic 1960s have shorter skirts appeared.

FINANCIAL TIMES
Monday July 26 1993

Commission divided on recovery of funds

Brussels to discuss $6bn waste over milk quotas

By Lionel Barber in Brussels

THE European Community has wasted an estimated Ecu5.38bn ($6.1bn) in unnecessary subsidies because Italy, Greece and Spain have systematically failed to enforce milk production quotas, according to internal estimates by the European Commission.

The Commission is expected to discuss on Wednesday how much money to recover from the three member states, all of which have pledged to respect new rules to curb over-production.

Several Commissioners are said to be reluctant to provoke a fresh confrontation with the Italian government. Relations are already strained because Brussels is sticking to a hard line on state aid to Efim, the state industrial holding company, and Ilva, the state steel producer.

The UK and Germany, however, are pressing the Commission to claw back a substantial portion of the excess subsidies, partly to relieve pressure in next year's budget caused by lower-than-expected economic growth and a fall in the value of the Ecu, and partly to deter future fraud.

The funds at issue cover 1989-93, but the problem goes back to 1984, when the EC introduced a milk quota system. If production quotas were breached, farmers were supposed to pay a heavy penalty known as the additional levy.

As late as 1991, neither Italy, Spain nor Greece had a system in place to supervise milk production or to collect the levy, according to a report by the EC's Court of Auditors. The Commission continued to pay full subsidies even though failure to collect the additional levy should have disqualified the three countries from obtaining matching levels of spending.

Internal estimates suggest that Italy owes Ecus 2.76bn for the period between 1989-93, followed by Spain (Ecus 2bn) and Greece (Ecus 620,000).

The Commission meeting on Wednesday is scheduled to "clear the accounts" for 1989 alone. That means only a proportion of the gross sum of Ecus 5.38bn is under discussion, but the outcome will influence repayment for the next four years.

In practice, the recovery of excess spending is likely to be reduced even further because Italy has argued successfully that its original 1984 national quota was based on statistical errors.

Last spring, EC farm ministers accepted this point implicitly when they agreed to a provisional, one-year increase in the Italian milk quota of 900,000 tonnes. Coincidentally, Spain won an increase of 500,000 tonnes, and Greece secured an extra 100,000 tonnes.

The Commission has the final decision on sums to be repaid. EC officials said last week the milk revenue matter was proving so divisive that Commissioners might not reach a decision on Wednesday, the last meeting before the summer recess.

Conservatives in disarray on eve of UK by-election

By Alison Smith in London

MR John Major's efforts to call a truce in the Conservative party's civil war over Europe suffered a setback yesterday, as fresh battles loomed following revelations by the UK prime minister about tensions within his cabinet.

Renewed bouts of sniping between party Euro-sceptics and Euro-enthusiasts were inflamed by the publication in the Observer newspaper of a taped, private conversation in which Mr Major spoke bitterly of the "poison" being spread by former rightwing ministers and the problems of managing a tiny parliamentary majority.

"We don't want another three more of the bastards out there," he said when asked why he did not sack three cabinet ministers who threatened to resign if he accepted the social chapter as the price of being able to ratify the Maastricht treaty.

The latest disarray comes just as many Conservatives expect a humiliating defeat in Thursday's by-election in Christchurch in southern England.

Factions within the party are already jockeying for position to influence the government's approach to the European Community inter-governmental conference in October and its advance preparations for next June's elections to the European parliament. A further revolt by the Euro-sceptics is threatened when the government brings forward legislation on EC finance, in November.

The bill will implement the Edinburgh summit agreement, increasing national governments' contributions to the Commission. Though ministers describe it as a good deal, they concede that some hardline rebels will probably oppose it.

The latest disarray casts a shadow over today's Anglo-French summit in London, and comes just hours before the high court is to hear a legal challenge to ratification brought by Lord Rees-Mogg, a leading critic of the prime minister.

Sir Norman Fowler, the party chairman, yesterday denied the cabinet was split over Maastricht, though he made it clear any minister who had serious reservations over European policy should consider his position.

He also called on Mr John Birt, BBC director-general, to set up an urgent inquiry into how the taped conversation had been published. It was allegedly recorded by the BBC during Mr Major's media interviews on Friday.

The BBC had earlier said that the material had been widely available: "Any number of places could have been the source of the Observer story."

The impression of discord was fuelled by Lord Tebbit, the former Tory party chairman, who said that "many ministers – perhaps most" hoped the treaty would never come into effect.

The effort to keep a balance in the party was underlined as it became clear that Mr Bill Cash, a leading Euro-sceptic, had not been offered a formal role in a "new group" to be set up by Mr Douglas Hurd, to determine the UK's policy in the run-up to the inter-governmental conference in 1996, as had been reported.

Instead, Mr Hurd's aides said, Mr Cash had been offered a meeting with the foreign secretary, whose door was open to all shades of opinion in the party.

Sharp cut sought in Spain's labour costs

Continued from Page 1

warned a speculative broadside "could happen all over again".

"The EMS cannot live in a situation of permanent crisis," he said. The best way to solve the problems was to move faster towards monetary union. Mr Solbes said he was not confident meaningful cost-cutting could be introduced in next year's budget. The central government's deficit, he said, stood at 5 per cent of GDP, nearly double the target for 1993, and at between 6.2 and 6.5 per cent if local administration balance sheets were included.

"We have a lot of fixed costs, a lot of infrastructure investments to maintain and a lot of social spending commitments." His main concern was a 3 per cent budget deficit.

State PM restates support for VW director

By Christopher Parkes in Frankfurt

MR GERHARD Schröder, prime minister of the state of Lower Saxony, has restated his support for Mr José Ignacio López de Arriortúa, Volkswagen's production director, despite mounting evidence to support industrial spying allegations against him.

Mr Schröder's statement followed a meeting on Friday with Mr Ferdinand Piëch, VW group chairman.

The state's 20 per cent stake lost an estimated DM300m ($174.4m) of its value last week as legal setbacks lopped 7 per cent off VW shares.

It has since emerged that Mr López, linked last Thursday by state prosecutors with one batch of confidential documents belonging to General Motors, his former employer, and found in a Wiesbaden house, had personally collected some of the others.

In early February, more than a month before he abruptly joined VW, he visited Adam Opel, GM's German subsidiary, from his Detroit base, to attend meetings called at his request. On February 3 and 4, he asked managers from the group's European subsidiaries for papers on purchasing, cost and new model strategies. Some of these turned up in boxes in the former Wiesbaden home of two of his Opel colleagues, who followed him to VW.

On the afternoon of February 4, a call was made from his office near Frankfurt to Wolfsburg, the VW headquarters. According to an extract from his office diary for that day, reproduced in today's edition of the news magazine Der Spiegel, Mr López had noted: "14pm Jens Neu". The magazine suggested this could have referred to a meeting with Mr Jens Neumann, the VW director responsible for group strategy.

However, the distances involved suggest a meeting was unlikely. The next day, when Mr López was to attend talks in Zürich at GM Europe, he cancelled all appointments and turned up unexpectedly at Eisenach in eastern Germany, Opel's newest car factory, and asked for documents on the plant's lean production systems. On February 6, he called Wolfsburg again.

Public prosecutors investigating GM's suspicions of espionage last week stated that transparencies also found in the boxes, and regarded as confidential by GM, had also been requested and translated into German by Mr López.

Der Spiegel was last week freed from a reporting gag on the case imposed through a temporary injunction granted to VW last month.

VW could not be reached for comment yesterday.

THE LEX COLUMN

Polishing off gilts

For a while last week it seemed as though the rally in the gilts market might have run its course. To the problem of over-supply was added a sense that accelerating recovery might preclude further interest rate cuts. On top of that was the political uncertainty – now resolved – over the Maastricht treaty, while sterling was at a level which might deter foreign buyers of gilts. The mood changed after the French franc came under pressure on Thursday afternoon, creating extra demand for sterling. Now it looks as if the downward blip was more a question of the market trying to position itself for this week's £3.25bn auction. The fall in yields may thus have some way to go.

The latest economic data showing growth sufficient to make inroads into the PSBR without reviving inflation ought to be positive for gilts. If currency turmoil in Europe prompts lower interest rates there, the short end of the gilts market may be sustained by parallel cuts in UK base rates. Admittedly the long end might begin to fret about the eventual revival of inflationary pressures, but for the time being real yields still look attractive.

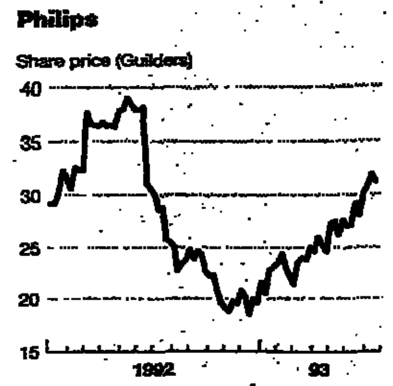
That is not to say the rally can continue indefinitely. The gilts market has pencilled in tax increases worth perhaps 1 per cent of GDP into November's Budget. It will be rudely disappointed if the measures are not forthcoming. Since the yield spread over German government bonds is now a mere 110 basis points there is not much room for further convergence. The need for a premium sufficient to attract overseas funds means the gilts market depends as much on developments abroad as at home.

European insurance

Equity markets are always wary of the argument that the current business cycle will be different from the last, especially when the proponent is an insurer with shares to sell. UK insurance companies have already come cap in hand to the market. Since continental European insurers started to raise prices perhaps 18 months after the UK, European bourses might now look forward to a clutch of equity issues. The recapitalisation of Norway's Uni Storebrand and the attempted rights issue by La Fondiaria of Italy are special cases of distress. Allianz's proposed rights issue announced over the weekend suggests others are not far behind. But capital-

Philips

Share price (Guilders)



Source: FT Graphite

raising has barely started to repair the damage done by severe underwriting losses. The likes of Sun Alliance and UAP of France have been bruised by falling property prices. Since insurers such as Commercial Union are devoting capital to the developing life and pensions markets of southern Europe, there seems little danger of over-crowding in other areas. With their government anxious to privatise, French state-owned insurers may be more inclined to put profits before market share. On that basis European insurers might look forward to several years of rising profits.

It still requires a leap of faith, though, to believe the companies will maintain discipline on prices for long. The behaviour of UK insurers will be the leading indicator in that regard. After three years of price increases many are close to underwriting profit on some lines of business. How they react to such an uncommon situation will be a crucial test of resolve.

Philips

With investors scouting around for recovery stocks, even the seemingly lost industrial cause that trades as Philips has won admirers. This year, the Dutch giant's shares have risen 55 per cent. Its first quarter results were better than expected, while the sale of its stake in a semiconductor joint venture with Matsushita, realising Fl3bn in cash, has helped transform sentiment. Combined with Philips' fierce cost-cutting campaign, the company's balance sheet is finally returning to reasonable shape. Philips' debt-to-equity ratio has fallen from about 140 per cent to 100 per cent.

Some are also becoming excited about the possible growth prospects for Philips' flat-screen technology. The hope is that this may enable Philips to make substantial inroads into the Japanese-dominated lap top computer market. Philips must now be sorely tempted to have a rights issue to reduce debt and fund expansion. Such a move might even be greeted as a sign of positive intent.

The share price rise must still, however, owe more to speculative hope than experience. Philips' record of past disappointment is a very long-playing CD; its shares are still less than half the level they reached in 1986. Recession in mainland Europe will continue to dog its progress. The history of the consumer electronics industry also shows that even when sales pick up prices continue to fall. Philips' forthcoming second-quarter figures will have to provide further proof the company is recovering for the share price momentum to be maintained.

UK housebuilders

Investors who backed the recent spate of rights issues from housebuilders must be irritated that no sooner have they parted with their cash than the market softens. Housebuilders' sunny suggestions that reservations were rising at an annual rate of up to 40-50 per cent may have been true for the first quarter. Since then, however, the market has turned as flat as the Headingley cricket pitch.

It is now clear that some specific factors were previously at work. Economic scares last September deferred demand for new housing. The autumn statement initiatives also tempted housing associations into the market. The current worry is that with price rises in the secondary housing market stalling, housebuilders will have to keep discounting to sell new houses, undermining profitability. Moreover, anecdotal evidence suggests land prices are now rising far faster than house prices. Housebuilders flush with rights issue money are bidding up prices. Tighter planning restrictions have also increased the scarcity value of land. This raises the spectre that margins will be further squeezed unless price inflation returns to the system.

The pure housebuilders boasting long land banks may still be best placed to exploit the housing upturn but their shares have surely run ahead of the game. The market has already begun to take the gloss off the sector but housebuilders' premium ratings remain suspiciously heavy.

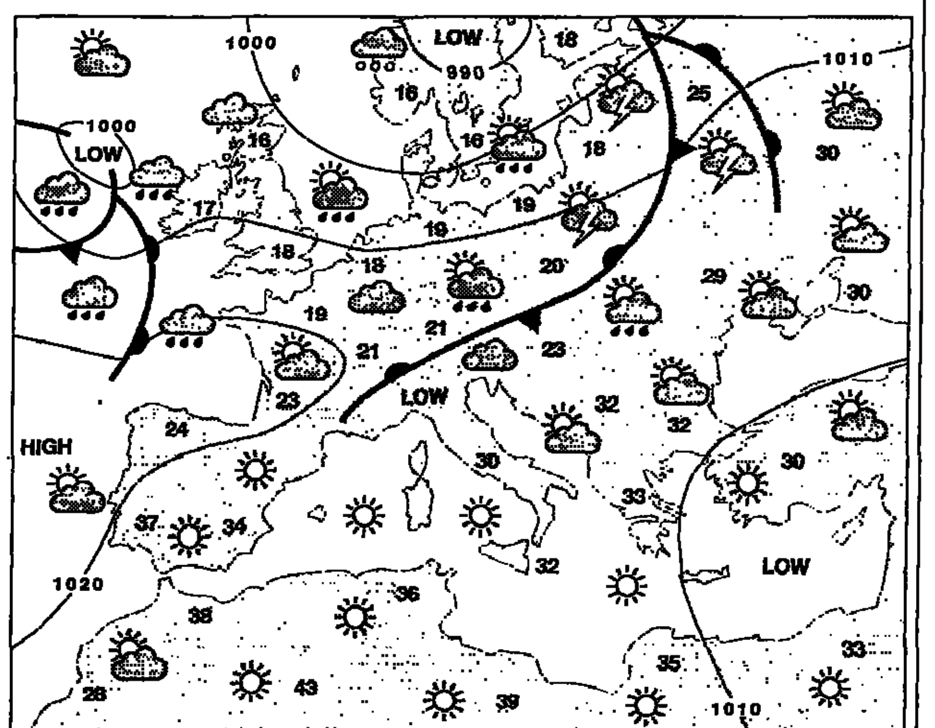
FT WORLD WEATHER

Europe today

Northwestern Europe is still influenced by a strong westerly flow. A persistent low pressure area over southern Scandinavia is causing this cool and unstable westerly current. Scandinavia itself is mostly overcast and rainy. Some clearings are possible in the south. Along the borderline with higher temperatures in eastern Europe, some heavy thunder showers will fall, mainly in the Baltic states and the northern CIS. Over Austria and Switzerland an old front will cause clouds and a scattered shower. Temperatures will still reach 27C to 33C in southeastern Europe. Highest temperatures will be recorded in southern Spain, where readings will be around 37C.

Five-day forecast

Behind the passage of a new frontal system over the British Isles tonight, a strong westerly flow will remain present, keeping conditions very unsettled and temperatures well below normal. Until Thursday wind might reach gale force west of the British Isles, the Celtic Sea and over the North Sea. By the end of the week a small ridge of high pressure will block low pressure system arrivals for some period. This will be temporary. Meanwhile, the Medittemanean countries will continue to be tropically warm and sunny.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	45
Accra	thund	32
Algiers	sun	34
Amsterdam	shower	17
Athens	sun	33
Bangkok	fair	36
Barcelona	sun	27
Beijing	thund	28
Belfast	cloudy	18
Belgrade	fair	30
Berlin	fair	20
Bermuda	shower	29
Birmingham	cloudy	18
Bogota	fair	19
Bombay	fair	31
Bordeaux	fair	23
Brussels	shower	19
Budapest	shower	23
Buenos Aires	fair	16
Cairo	sun	33
Cape Town	fair	15
Caracas	fair	29
Chicago	shower	30
Cologne	shower	19
Copenhagen	shower	18
D' Salaam	shower	31
Dakar	fair	32
Dallas	thund	37
Darwin	fair	31
Delhi	fair	37
Dubai	sun	38
Dublin	cloudy	18
Dubrovnik	fair	31
Edinburgh	cloudy	17
Faro	sun	29
Frankfurt	shower	21
Geneva	cloudy	21
Glasgow	cloudy	17
Hamburg	shower	17
Helsinki	thund	17
Hong Kong	thund	32
Honolulu	thund	30
Isle of Man	cloudy	16
Istanbul	sun	31
Jersey	fair	17
Karachi	cloudy	33
Kuwait	sun	48
La Paz	sun	19
Las Palmas	fair	28
Lisbon	sun	29
London	cloudy	18
Los Angeles	sun	23
Luxembourg	cloudy	18
Lyon	fair	24
Madeira	sun	26
Madrid	sun	37
Majorca	sun	29
Malta	sun	32
Manchester	cloudy	17
Manila	shower	31
Melbourne	rain	13
Mexico City	fair	24
Miami	thund	32
Milan	sun	29
Montreal	rain	28
Moscow	thund	24
Munich	cloudy	21
Nairobi	fair	26
Naples	sun	30
Nassau	fair	34
New York	fair	28
Nice	fair	26
Nicosia	sun	36
Oslo	shower	16
Paris	cloudy	22
Perth	fair	18
Prague	shower	24
R' de Janeiro	fair	25
Rangoon	shower	27
Reykjavik	cloudy	15
Riyadh	sun	44
Rome	fair	29
S' Francisco	sun	26
Seoul	cloudy	28
Singapore	cloudy	32
Stockholm	shower	16
Strasbourg	cloudy	21
Sydney	fair	19
Tel Aviv	sun	31
Tokyo	shower	24
Toronto	rain	29
Tunis	sun	35
Vancouver	fair	22
Venice	cloudy	27
Vienna	shower	21
Warsaw	thund	20
Washington	fair	31
Wellington	fair	14
Winnipeg	shower	18
Zurich	cloudy	20

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Exxon and Mobil beat expectations

Second-quarter profits at Exxon and Mobil, two of the biggest US energy groups, were boosted by a rise in natural gas prices in the US and the effects of substantial cost-cutting. The figures exceeded market expectations. Exxon reported net income for the quarter of $1.24bn, up from $930m in the same period of 1992. Mobil's second-quarter net income jumped to $579m, from $255m. Page 21

Quantum losses deepen

Quantum, the US chemicals group which has agreed a $3.2bn bid from Hanson, the Anglo-US conglomerate, reported second quarter losses deepened to $84.2m. The group, the largest US manufacturer of polyethylene, said that sales of the product were flat, and that average selling prices were lower than last year. Page 21

Bavaria sells Dasa stake

The German state of Bavaria confirmed it will sell its 8.58 per cent stake in Deutsche Aerospace (Dasa) to Daimler-Benz by the end of the year. Page 21

Japanese banks open doors

Three Japanese banks open securities subsidiaries for business today. These new broking companies are not permitted to deal in stocks, but can trade in straight bonds, and underwrite, though not trade in, convertible bonds and warrant bonds. Page 21

Boots reviews drugs unit

Boots, the UK retailing and pharmaceuticals group, said yesterday it was considering the future of its drugs division, but had no plans to sell it after Manoplax, its heart drug, was withdrawn. Page 20

New targets for Brent Walker

Brent Walker, the UK property, pubs and betting group that completed its £1.65bn ($2.47bn) refinancing last year, is writing a new business plan, as it has so far failed to meet the targets of the proposal originally agreed with its banks. Page 20

Medeva may speed up shake-up

Mr Bernard Taylor, chairman of Medeva, the UK drugs company, said the timing of some planned management changes could be accelerated by last week's profits warning which almost halved its stock market value. Page 20

Feeling green

Mr John Gummer, UK environment secretary, faces some nasty headaches as conflicts are looming between the environment and other government departments. Back Page

Market Statistics

Companies in this issue

Gerstner expected to announce IBM board changes

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines' new chairman and chief executive, Mr Lou Gerstner, is expected to announce a reshaping of the company's board of directors tomorrow along with the struggling computer giant's second quarter results.

Although IBM declines to comment, two of the company's outside directors, Mr Richard Munro, the retired co-chairman of Time Warner, and Mr Stephen Bechtel Jr, chairman emeritus of the Bechtel Group, are believed to have tendered their resignations.

Mr Helmut Sihler, former chief executive of Henkel, retired from IBM's board last month, while Mr Jack Kuehler, IBM's vice-chairman, has previously announced plans to retire next month.

At IBM's annual meeting in April, shareholders criticised directors for being out of touch with the computer industry. "[The board] surely lacks the pertinent current knowledge, skills and vision to deal with and add value to and guide IBM. I believe the board should [include] current chief information officers of companies, current deans of engineering schools, and current entrepreneurs, people who are really up to date," said one. Another accused the directors of operating an "old boy's network" and having been management cheerleaders, rather than shareholders' watchdogs.

Signalling change, Mr Gerstner, who joined IBM in April, responded by saying that the "composition of the board and the board's ability to contribute to building this company "would be considered".

"The board has to be relevant, appropriate and evolving as the corporation evolves," he said.

However, boardroom changes are unlikely to placate IBM shareholders fully. Last week, IBM's shares touched an 18-year low of $41⅝, closing on Friday at $42¼.

Wall Street analysts are projecting operating losses of about 23 cents per share, for the second quarter, compared with net income of $1.29 per share in the same period last year.

Last week's report of shrinking sales by Amdahl, one of IBM's competitors in the mainframe computer market has added to the gloom. Amdahl's sales were down 33 per cent.

Large write-offs, to cover the cost of thousands of job cuts, could exacerbate IBM's losses. Already, IBM has said that it expects to reduce its workforce by more than the 25,000 estimated at the beginning of the year. Now analysts say the total could rise to 50,000 or even 75,000, with additional charges against earnings of at least $2bn.

IBM also needs to cut its manufacturing capacity, said Mr John Jones of Salomon Brothers. He expects IBM to take a charge of $2bn-$3bn to cover these costs in the second or third quarter.

Talk of multi-billion charges has raised new fears among investors that IBM could make a further cut in its dividend. In January, the company reduced the dividend by 55 per cent to $2.16.

Reuters likely to detail £400m share buy-back plan

By Christine Buckley in London

REUTERS Holdings, the international information and news group, is tomorrow expected to announce a share buy-back scheme while delivering its interim results.

Following months of speculation about how Reuters will employ its cash mountain of £710m ($1.07bn), the company is likely to disclose details of a plan to spend £400m buying back its shares. A source close to the company said that "the speculation is not far from the truth".

Mr Mike Cooling, Reuters' head of corporate relations, did not deny the share buy-back plan: "We can give no guidance on this matter." The company has previously signalled it was considering ways of disbursing its cash pile, including a share buy-back plan. An increased dividend could also be paid. Such moves would also not rule out the possibility of acquisitions.

A senior media analyst said the economic conditions were conducive to buying back shares. "The dual rationale is that they have all this cash on their hands and the earnings per share would be considerably enhanced."

The analyst also attributed some of Reuters' recent share strength to the growing anticipation of a dispersal of cash in favour of the shareholders.

Reuters's shares last week enjoyed steady progress, putting on 25p to close on Friday at 1404p. The share price has also been buoyed by expectations of interim pre-tax profits which most analysts tip to be between £210m and £220m against the previous £187m.

Reuters would face some tax and regulatory obstacles to a share buy-back as 35 per cent of its shareholders are in the US.

One analyst said: "It may be seen as a sign that Reuters cannot find anything better to do with its money; that there is nothing in the industry worth buying" and suggested it would be better to target growth potential in an immature area of the industry.

France to retain protective share of Elf-Aquitaine

By Alice Rawsthorn in Paris

THE French government yesterday confirmed that it will retain a 'golden share' in Elf-Aquitaine, the state-controlled oil group, to protect the company from the threat of a hostile takeover bid after its privatisation.

Mr Pascal Clément, minister in charge of the French parliament, said the government would keep a golden share in Elf to prevent the risk of a foreign investor "taking control of the company" and to ensure that it did not "pass into foreign hands".

The golden share is a common mechanism in privatisation programmes, in the UK as well as France. It is a special class of share that enables the government to override all other shareholders by blocking developments, notably foreign takeovers, that it deems to be against the group's interest.

Elf was last week named as one of the four companies scheduled for sale in the first phase of the new centre-right government's privatisation programme. The others are Rhône-Poulenc, the chemicals concern, the Banque Nationale de Paris (BNP) and Banque Hervet, the banking groups.

Ministers have already made it clear that the sale of Elf was considered to be the most complex of the early issues. Elf is not only the biggest of the first four candidates – with an estimated market value of FFr100bn ($17bn) – but is also involved in the most sensitive sector.

Mr Edmond Alphandéry who as economy minister is orchestrating the privatisation drive, last week warned that the Elf sale may be divided into different tranches.

Meanwhile Mr François Mitterrand, the socialist French president, is believed to have lobbied strongly for Elf to be protected by a golden share.

The last centre-right French government introduced golden shares in a number of the companies sold in the 1986 to 1987 privatisation drive.

Elf Aquitaine was earmarked for a golden share when targeted for sale in 1986. However the 1986 golden shares expired after five years, whereas the latest privatisation legislation allows them to last indefinitely.

German banks are to publish provisions, writes David Waller

On the verge of a nervous breakdown

German banks are about to lift the veil of secrecy which covers their true financial performance - not fully, but enough to give to give new insight into their underlying financial strength amid Germany's worst recession since the second world war.

When the banks report their interim figures over the next few weeks - beginning with Deutsche Bank and Commerzbank this week - they will publish details of their provisions against bad and doubtful debts for the first time.

Hitherto, German banks have had the appearance of being highly resilient to the downturn. The larger banks report record profits last year and the figures released for the first three, four and in some cases five months of the current year have shown that the profits increase is continuing - mainly because of strong gains on the banks' own account trading activity.

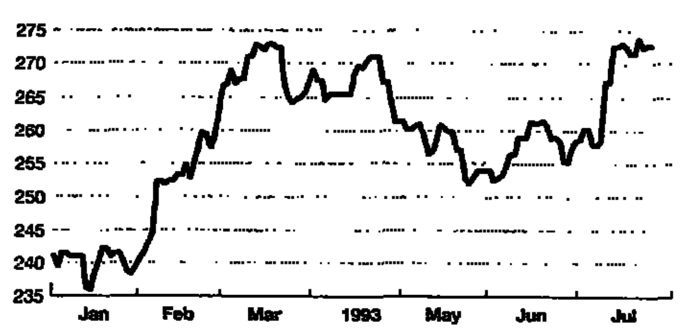
This apparent immunity has been one factor behind sharp rises in the share prices of German banks this year. The highest gain came from Commerzbank, Germany's third largest bank, where the share price has risen 32 per cent since the beginning of the year; Dresdner Bank has risen 22 per cent; and Deutsche Bank by 13 per cent. This compares with a rise of 18 per cent in the DAX index of 30 leading shares.

In the first five months of the year, Commerzbank's total operating profits increased 15 per cent. There was a similar percentage rise in the profits of Dresdner Bank in the first four months. But these figures conceal the true picture.

The reason is that the total operating profits published by the German banks do not take any account of mounting credit risks in the deteriorating German economy.

They comprise net profits from lending business, lumped together with fee income and profits from own-account trading in the securities and currency markets. Provisions against doubtful debts, together with actual write-offs against bad debts, are not included.

Frankfurt Banks index



Source: FT Graphite

Under the terms of the European Bank Accounts Directive – which must be adopted for the 1993 full-year accounts – banks are obliged to be more forthcoming. The German banking sector has decided to jump the gun and make the most important change required by the directive at the half-year stage.

The banks have made no secret of the fact that the recession has hit credit quality very hard – particularly among the medium-company sector, the so-called Mittelstand.

This is hardly surprising, given the sharp rise in corporate insolvencies – up more than 27 per cent in the manufacturing sector last year and a further 20 per cent in the early months of 1993 – and the troubles being experienced by companies in such sectors as machine-tools and suppliers to the car industry.

Up until now, banks have only provided a figure for gross provision charges. Thus, Deutsche Bank let it be known that its total provision charge for 1992 was DM4bn ($2.3bn).

The figure for net provisions which subsequently appeared in the bank's profit and loss account was DM1.85bn.

These figures are large and impressive but somewhat meaningless as the bank – in common with the rest of its peer-group – did not give a full breakdown of the make-up of the figures.

There was no clue as to the level of provisions against corporate debts alone. The net figure is calculated after various undisclosed items have been written back – for example releases from no-longer needed provisions on country debt or on the value of security portfolios.

The changes will unscramble some of the ambiguity surrounding the figures and will enable analysts to do more than just guess at banks' underlying profitability.

Mr Ian McEwen, banking analyst at Merrill Lynch in London, predicts a degree of "public relations manoeuvring" in the interim reports as the banks take advantage of remaining opportunities to fudge the true picture. But, says Mr McEwen, "it will become very clear that German banks are not immune to the German recession".

Union will require some social graces

Economics Notebook

By Peter Norman

Last week's high drama over the Maastricht Treaty in the British House of Commons was great theatre. So much so that it has been easy to lose sight of the core of the enterprise which is the creation of economic and monetary union in Europe.

However, with ratification completed in most member states, some economists have begun to show new interest in the problems that could arise if Emu ever gets off the ground. Their work highlights fears that it could put jobs and businesses at risk in large parts of the European Community.

In the latest issue of the twice-yearly Economic Studies, published this month by the Organisation for Economic Co-operation and Development, Mr Steven Englander and Mr Thomas Egebo argue that Europe will have difficulty dealing with regional economic disturbances once it is operating with a single currency and monetary policy.

Their message is backed up by Mr Bernard Connolly and Mr Jürgen Kröger of the European Commission. Writing in the *Recherches Economiques de Louvain*, a quarterly published by the respected economics department of the Catholic University of Louvain, they have suggested that the Maastricht convergence criteria focusing on inflation and budget deficits will not be sufficient to ensure the successful operation of Emu.

The authors of both papers on Emu were writing in a personal capacity. But the OECD study, in particular, had formidable backing. A footnote makes clear that the topic was suggested by some of the organisation's most senior economists.

Even though existing plans for Emu do not envisage union before 1997 at the earliest and provide a second deadline of 1999, the two studies indicate that it will be a much more hazardous venture than it appeared when the EC member states signed the Maastricht Treaty in February last year.

The potential weakness of Emu in the face of economic shocks is especially worrying.

An underlying problem, highlighted in both papers, is that the EC has neither the cross-border mobility of labour nor sufficient flexibility of wages or prices to be a good candidate for monetary union.

Messrs Englander and Egebo of the OECD see no early change on the labour front. With limited exceptions (the flow of labour between Ireland and the UK is one), they say that labour mobility in EC countries is unlikely to match the standard of an optimal single currency area "in the medium term".

Messrs Connolly and Kröger argue that the community will have to achieve economic convergence on a scale far beyond the Maastricht Treaty's requirements of low inflation, low long-term interest rates and low government indebtedness for Emu to be successful.

"Convergence in supply conditions will crucially determine future employment opportunities," the two commission economists say. The EC countries will have to bring their productivity performances more into line before Emu. After Emu the expected real rate of return in one country relative to others will be vital for determining regional employment opportunities.

But after weighing all the aspects, Mssrs Connolly and Kroger are doubtful whether Emu will benefit the poorer areas of Europe. At one point they say that exchange rate fixity is likely to "slow down or even halt the process of economic integration and catching up".

Mssrs Englander and Egebo focus on the difficulties posed by economic shocks for Emu. With no scope for devaluation or revaluation of currencies, "real exchange rate adjustments, when needed, must be achieved through changes in relative costs and prices", they say. "However, if wages and prices are not flexible internally ... such adjustment may require large shifts in capacity utilisation and employment."

The OECD economists argue that labour market flexibility or the mobility of labour and production between regions will have to increase significantly to prevent localised supply side disturbances having disruptive effects on income and employment. The problems created by German unification among the ERM countries give an idea of the difficulties that could arise after Emu.

They are particularly concerned that the EC economies will require a large increase in unemployment to offset an sharp upwards lurch in inflation. Using the OECD's "Interlink" computer model to simulate Emu, they found that changes in relative wages and prices work very slowly to restore competitiveness and cost a great deal in terms of output. In one simulation, they found that misaligned wages, prices and unemployment persisted five years after an initial localised "shock" jump in wages.

Such worries about Emu are not entirely new. There were plenty of warnings about the project at the time of the Delors Report, which gave decisive impetus to economic and monetary union when published in 1989.

In testimony to the Commons Treasury and Civil Service Committee earlier this year, Mr Andrew Crockett, the head of the Bank of England's international division, said the Emu convergence criteria should also take account of how economies might respond to shocks such as German unification.

The stress placed in the two recent economic studies on improved labour market flexibility gives some support to the UK government's opposition to the EC's social chapter.

Britain, of course, has negotiated an opt-out from economic and monetary union as well as from the social chapter. But it will be ironic if the UK, with greater labour market flexibility already apparent in falling unemployment over the past half year, eventually proves more suited to union than other EC economies.

Adjustment under Fixed Exchange Rates: Application to the European Monetary Union, OECD Economic Studies, No 20, from OECD Publications, 2 rue André-Pascal 75775, Paris Cedex 16, France or £16 from HMSO.

Economic Convergence in the Integrating Community Economy, Recherches Economiques de Louvain, Vol 59 1993 No 1-2. Tel Belgium (02) 627 3500 for subscription details.

Barclays trims down top job shortlist

By John Gapper, Banking Correspondent

BARCLAYS has narrowed its shortlist of potential new chief executives to British candidates, although it is thought still to be considering senior executives who are working overseas and outside commercial banking.

Barclays, which is seeking an outsider to split Mr Andrew Buxton's joint role as chairman and chief executive, also fears that it will be unable to announce the appointment by the time of its interim results next week.

The fact that US bankers or other foreign candidates have been excluded is significant because Sir Denys Henderson, the non-executive director who led the search, emphasised that the bank would look around the world. Mr Richard Braddock, former president of Citicorp, and Mr Tom Johnson, former president of Manufacturers Hanover Corporation, were among thought likely to be considered by Barclays.

The shortlist is not thought to be confined to bankers. Directors believe that an outsider, either at a senior level in a financial services company, or with financial expertise in another industry, might be appropriate.

Mr John Tugwell, chairman of National Westminster Bank's US retail bank NatWest Bancorp, was among those approached by Spencer Stuart, Barclays' headhunting firm.

Barclays started its search after pressure from institutional shareholders to split the roles of chief executive and chairman.

Boots considers future of its drugs division

By Catherine Milton

BOOTS, the retailing and pharmaceuticals group, said yesterday it was considering all options for the future of its drugs division, but had no plans to sell it after withdrawal of Manoplax, its heart drug.

The company said: "We would be expected to consider all the options following the withdrawal of Manoplax, but we are not leaning towards one option or another at this stage." The drugs division has been widely seen as too small to be viable.

Mr Gordon Solway, managing director of the drugs arm, will lead the executive committee in a thorough review of the business plan it put together before the withdrawal of Manoplax. Boots said: "We are reviewing the whole business plan for the pharmaceuticals business. It is not something that can just be tweaked."

Boots said the move would cost £35m in stock write-offs and "provisions against manufacturing facilities". It said there would be no closures at the two sites making Manoplax – Nottingham and Cramlington, Northumberland. Job losses, however, could not be ruled out. The company said it would save on marketing expenses for the drug, which last year cost £20m, and on research and development.

Boots also denied plans to sell its loss-making DIY chain, Do It All, a joint venture with WH Smith. It argued that Boots was well-placed financially to wait for the potential gains from a "profits bounce back" as the recession ended.

Shake-up at Medeva may be accelerated

By Catherine Milton

MR BERNARD Taylor, chairman of Medeva, the UK drugs company, said yesterday that the timing of some planned management changes could be accelerated by last week's profits warning which almost halved its stock market value.

Mr Taylor said the changes included the "inevitable" splitting of his own role as chairman and chief executive. He said: "The profits warning may accelerate it. We really have not thought that through yet."

However, he added that he would like "several months to pass" before the board considered any changes.

"One does not suddenly say 'lets review our strategy as a result of what's happened yesterday'. One must take these things in a measured way and not panic about them."

Medeva's stock market value tumbled from £589m to £295m in heavy trading early last week after the profits warning.

Mr Taylor said the management structure had been in development for the past three years: "Eventually it will be rather typical of drugs companies with regional directors, specialist services in quality assurance, finance and research and development and at the highest board level a reasonable number of non-executive directors."

He said he did not believe Mr Ian Gowrie-Smith, managing director, would leave the company in the wake of last week's announcement that pre-tax profits for 1993 would be about £10m below market expectations of between £53m and £57m.

Mr Taylor said he had no plans to retire before he reached 60, in three years, and that he might well remain with the company after that time.

He added that he "is not required to go as a result of this problem."

Another director quits Tomorrows Leisure

By Chris Tighe

TOMORROWS LEISURE, the Newcastle-based hotels and leisure group which is quoted on the USM, said that Mr Stephen Lovely, who joined the company barely three weeks ago as managing director, had resigned.

Mr Lovely's departure is the second quick exit recently from the senior management ranks of the company, which this month gave a second loss warning for the year to March 31.

Earlier this month it announced the resignation of Mr John Roberts, brought in as chairman in February when the founder, Mr John Sanderson, stepped down as chairman and managing director.

Mr Sanderson, who became executive chairman following Mr Roberts' resignation, said it was Mr Lovely's decision to go.

He said the appointment of a successor was at an advanced stage: an announcement of new board members would also be made soon.

Investors Capital Tst

Net asset value per share of Investors Capital Trust was 132.8p at the nine months ended June 30, an improvement of 18.8 per cent on the 111.8p at the September 1992 year end.

A third quarterly dividend on 1.275p is declared making a total of 3.825p for the year to date.

Grosvenor Dev Cap

Net asset value per share of Grosvenor Development Capital stood at 190.3p at June 30 1993 against 147.2p six months previously and 146.7p at May 31 1992.

The attributable result was a £154,000 deficit compared with a profit of £2,000. Losses per share emerged at 1.91p (0.02p earnings).

Failed targets bring about fresh problems

Maggie Urry on the obstacles facing Brent Walker regarding the refinancing of the ring-fenced loan to its William Hill betting shops chain

THINGS are hotting up again at Brent Walker. Since the property, pubs and betting group completed its £1.65bn refinancing in March last year, it has been keeping its head down – barring a management shake up in January when Sir Keith Bright came in as the new chairman.

But now the group is having to write a new business plan – having so far failed to meet the targets of the proposal originally agreed with its banks – and faces the problem of refinancing the £350m ring-fenced loan to its William Hill betting shops chain by March 1 next year.

It has been reorganising the management structure of its Pubmaster, pub estate management subsidiary, and pressing on with the development or sale of its leisure activities such as the Brighton marina, the Cardiff World Trade Centre, and the Puerto Sherry marina in Spain.

Meanwhile, Brent Walker is continuing to pursue Grand Metropolitan, the retail and leisure group, from which it bought William Hill and Mecca Bookmakers, for a reduction in the £685m purchase price. Brent Walker is hoping to reclaim as much as £200m from GrandMet, and the two parties are locked in arbitration. Even when that is concluded, the matter may revert to the courts.

If all this was not enough to be getting on with, merchant bank SG Warburg has thrown the group into the limelight again by slapping in a consortium bid for William Hill, at a price which might be called astute, or more bluntly, cheeky. The mooted offer is of £360m, just enough to pay off the ring-fenced banks, but leaving virtually nothing over for Brent Walker.

Sir Keith's view is clear. Selling to the Warburg group would represent a forced sale at a distress price. Brent Walker does not need to accept it and has a duty not only to pay off William Hill's secured banks but also to take account of its unsecured creditors and to use the asset to repay some of the parent company's creditors too.

Since the equity portion for the Warburg bid, of about £180m, is to come from venture capital funds which require a 30 per cent plus rate of return, it is clear that investors willing to accept a lower return could offer more. So the first conclusion is that another type of buyer would pay more than the Warburg consortium even now. But more than that, there is the hope that as the economy recovers, and betting deregulation gathers pace, William Hill's profits will improve and the chain's value will rise.

Yet another factor should also improve William Hill's profits. Currently, virtually all William Hill's cashflow is being used to pay interest charges on its debt, although a sum equal to the depreciation charge, of about £10m a year, is being reinvested in the business.

However, the interest charge is artificially onerous since an interest rate swap, agreed when rates were high, has locked into an 18 per cent interest rate. That swap unwinds next year and the interest charge will fall substantially, boosting profits and producing more cash flow for investment.

The William Hill value could be released through a partial flotation, or the introduction of an equity partner. One attraction of that for Brent Walker is that while William Hill is ring-fenced the parent can take no money out of it. But once it is paying dividends, Brent Walker will receive a cash return from William Hill.

Brent Walker claims to have had a number of serious approaches for William Hill, at higher prices, since the Warburg offer became known, which could lead to an equity injection.

While in theory it is a William Hill board decision whether to accept the Warburg offer, in practice it is up to the William Hill banks. Brent Walker has an obligation to at least investigate that offer, and any others.

The William Hill banks, offered a full and early repayment of their loans, something that seemed highly unlikely a couple of years ago, might be tempted to accept. But it is not as simple as that.

If more than half vote to accept the offer it will go through. However, of the £350m debt, 57 per cent is from banks which have also lent to Brent Walker. Those banks want the Brent Walker debt to be repaid as well, and if the best chance of getting that money back is by not selling William Hill for £360m then they may be inclined to hang on.

On the other hand, the certainty of £360m in cash now compares with the uncertainty of a stock market float later. While the new issue market is strong at present, there is no denying that William Hill would not be the easiest business to float.

Brent Walker believes it could even refinance William Hill's debt next year – possibly bringing in new banks or persuading the Brent Walker banks to take on the William Hill debt – although privately some of its advisers think this unlikely to be achievable.

If it follows one of the sale routes, though, it will have to take another hit on its balance sheet. In the 1992 accounts William Hill was valued at £701.1m, a figure which the directors admit is significantly too high. They can get away with retaining the valuation while William Hill is 100 per cent owned, claiming the fall in values is not "a permanent diminution".

But a partial sale of William Hill, or a successful resolution – from Brent Walker's viewpoint – of the dispute with GrandMet, would set a new value causing another substantial asset write down in the Brent Walker balance sheet.

If Brent Walker thought its problems were over the day the refinancing was signed it was wrong. They were only just beginning.

S&N in £80m expansion of French holiday activities

By Philip Rawstorne

SCOTTISH & Newcastle, the brewing, leisure and retail group, has opened an £80m Center Parcs holiday village at Chaumont in the Loire Valley, south of Paris.

The development is the second in France – the other is in Normandy – but despite the doubling of capacity, the company said the Chaumont village was already achieving occupancy rates of more than 90 per cent.

"In spite of the recession in Europe, Center Parc's bookings are ahead of last year in all the countries [the UK, Netherlands and Belgium] in which they trade," it added. Another Center Parcs is due to open at Longleat, Wiltshire, next summer, bringing the total number of villages to 14.

Apart from the new developments, S&N last year continued to invest in expanding facilities at the villages – including adventure golf at six centres in the Netherlands and Belgium, and a nine-hole golf course at Elveden Forest in the UK.

S&N's leisure division, which also includes Pontin's, now contributes about a third of group operating profits. Center Parcs, according to industry estimates, accounted for 80 per cent of the division's reported profits of £78m on turnover of £235m in the year to May 2.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Alcatel Alsthom (France)	STC Submarine Systems (UK)	Telecoms cable	£600m	Northern Telecom disposal
Western Gas Resources (US)/Louisiana Land & Exploration (US)	Units of Nerco (US)	Oil & gas	£340m	Quick sales by UK's RTZ
Investor Group (US/New Zealand)	New Zealand Rail (NZ)	Transport	£120m	Privatisation deal
Krupp-Hoesch (Germany)	Krupp Lonrho (Germany/UK)	Trading	£109.4m	Buying out Lonrho
Pilkington (UK)/Techint Finanziaria (Italy/Argentina)	Societa Italiana Vetro (Italy)	Glass	£90m	Privatisation contract now signed
Altamir (France)	Unit of Boots (UK)	Retailing	£40.9m	Boots sells French arm
Bromsgrove Industries (UK)	Montgomery Corp (US)	Engineering	£2.33m	Cash & paper deal
Orvis (US)	British Fly Reels (UK)	Fishing equipment	£1.6m	Cash deal landed
Anglian Water (UK)/American Water Works (US)	Joint venture	Water	£0.13m	Anglia expanding, not diversifying
Alusuisse Lonza (Switzerland)	Pharmaflex (UK)	Printing	n/a	CMB disposal

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.07.93: Pool purchase price £/MWh	Final Prices for Trading on 27.06.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.51	18.84	24.93
0100	18.79	18.84	25.01
0130	18.76	17.97	17.97
0200	18.76	17.97	17.97
0230	18.76	17.97	17.97
0300	18.76	17.97	17.97
0330	18.76	16.50	16.50
0400	39.14	33.00	33.00
0430	39.14	33.00	33.00
0500	39.14	33.00	33.00
0530	33.00	33.00	33.00
0600	34.00	33.00	33.00
0630	34.00	33.00	33.00
0700	33.00	33.00	33.00
0730	33.00	33.00	33.00
0800	33.00	18.99	25.17
0830	21.61	19.38	25.48
0900	21.61	22.94	29.19
0930	21.62	23.02	29.25
1000	22.36	23.02	29.20
1030	23.91	23.02	29.17
1100	28.02	26.46	32.70
1130	28.65	33.00	39.50
1200	31.94	33.00	39.42
1230	33.00	33.00	39.43
1300	33.00	33.00	39.52
1330	31.94	26.11	32.35
1400	28.02	22.94	29.04
1430	23.91	22.57	28.68
1500	21.62	18.04	18.04
1530	21.61	18.01	18.01
1600	21.61	17.99	17.99
1630	18.11	18.01	18.01
1700	21.62	18.04	18.04
1730	21.62	21.23	27.34
1800	21.62	21.23	27.32
1830	21.62	21.23	27.38
1900	21.61	21.23	27.35
1930	21.61	22.57	28.73
2000	21.62	22.57	28.75
2030	22.36	21.23	27.34
2100	22.36	21.23	27.33
2130	33.00	22.57	28.71
2200	33.00	26.50	32.76
2230	33.00	39.90	48.62
2300	22.50	39.90	48.63
2330	18.08	39.90	48.60
2400	33.00	22.57	28.78

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 26.07.93: Pool purchase price £/MWh	Final Prices for Trading on 28.06.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	34.00	17.89	17.89
0100	34.00	16.50	16.50
0130	17.97	33.00	33.00
0200	33.00	33.00	33.00
0230	33.00	17.97	17.97
0300	33.00	17.97	17.97
0330	24.51	17.97	17.97
0400	24.51	17.97	17.97
0430	24.51	17.96	17.96
0500	24.51	17.96	17.96
0530	29.00	16.50	16.50
0600	34.00	34.00	34.00
0630	34.00	34.00	34.00
0700	40.89	22.89	28.89
0730	20.70	24.08	29.90
0800	23.85	26.30	32.14
0830	25.01	24.57	30.21
0900	25.01	26.32	31.98
0930	27.15	26.34	31.94
1000	27.63	28.72	34.42
1030	27.63	28.74	34.43
1100	28.99	28.75	34.44
1130	28.99	33.11	38.97
1200	32.38	33.12	38.98
1230	34.01	33.10	38.95
1300	34.00	33.06	38.92
1330	28.99	25.54	31.01
1400	25.97	25.53	31.01
1430	25.97	25.53	31.01
1500	25.97	25.53	31.01
1530	25.20	25.53	31.01
1600	25.20	25.53	31.02
1630	31.65	31.13	36.78
1700	34.00	41.52	47.47
1730	34.00	41.51	47.47
1800	34.00	25.29	30.77
1830	25.14	25.28	30.80
1900	24.48	25.17	30.78
1930	23.85	24.57	30.22
2000	23.03	23.69	28.94
2030	23.03	22.89	28.53
2100	23.03	22.89	28.53
2130	23.41	25.12	30.74
2200	31.00	33.06	38.63
2230	31.00	34.00	39.76
2300	24.54	34.00	34.00
2330	22.21	19.50	19.50
2400	20.70	18.09	18.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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INTERNATIONAL COMPANIES AND FINANCE

Exxon and Mobil benefit from gas price increase

By Richard Waters in New York

EXXON and Mobil, two of the biggest US energy groups, exceeded market expectations with second-quarter profits which were boosted by a rise in natural gas prices in the US and the effects of substantial cost-cutting.

The news sent shares in the two groups higher in New York on Friday afternoon and supported other oil and gas shares. Exxon ended the week at \$65¼, up \$⅞ on Friday, while Mobil rose \$1¼ to \$71.

Exxon reported net income for the quarter of \$1.24bn, or 98 cents a share, up from \$930m, or 73 cents, in the same period in 1992. Some \$210m represented non-recurring credits, mainly related to tax, compared with credits of \$24m in the previous period, leaving a gain in underlying net profits of 13 per cent. First-half net income was up from \$2.23bn to \$2.42bn.

Mr Lee Raymond, chairman, said operating costs had been cut by \$200m during the quarter, compared with a year ago. Worldwide operating profits from exploration and production rose from \$693m to \$761m, after a net increase of \$43m in non-recurring tax credits. The rise reflected cost cutting, mainly in North America, offset by lower crude oil prices and a build-up in inventories in the North Sea.

Operating earnings from refining and marketing rose from \$185m to \$446m (\$47m of the gain coming from non-recurring factors), owing to lower costs and an increase in margins outside the US. Chemical operations made \$86m, against \$119m a year ago, in the face of weak demand and excess industry capacity.

Mobil's second-quarter net income jumped to \$579m, or \$1.41 a share, from \$255m, or 60 cents, as recent cost-cutting took effect. Mr Allen Murray, chairman, added: "Earnings improved on higher US natural gas prices and on our strong presence in the growing Pacific Rim markets." Some \$60m of the gains came from tax credits and other non-recurring items.

Exploration and production earnings rose from \$321m to \$475m, while marketing and refining income rose from \$25m to \$136m.

First-half net income of \$1.07bn was up from \$382m in the first six months of 1992, excluding the effects of accounting changes.

Shortfall at Quantum deepens in quarter

By Paul Abrahams

QUANTUM, the US chemicals group which has agreed a \$3.2bn bid from Hanson, the Anglo-American conglomerate, reported a second-quarter loss, before income tax benefit, of \$84.2m compared with a loss of \$68.3m for the same quarter last year.

The results were worse than expected. Turnover fell from \$542m to \$527m. Petrochemicals sales fell from \$425m to \$407m and generated a trading loss of \$5.5m compared with an operating profit for the same quarter last year of \$10.6m.

The group, the largest US manufacturer of polyethylene, said that sales of the product were flat, and that average selling prices were lower than last year, particularly for high density polyethylene.

The weak state of the European economies also affected volumes, selling prices and profit margins for the group's other main products.

The company said margins were further weakened by the higher cost of ethylene, the principle component for most plastics, and the temporary closure of the group's ethylene facility in Morris, Illinois.

The propane operations, the second largest in the US, increased sales from \$117m to \$120m. Operating profits were \$2.2m compared with a quarterly loss last year of \$5.3m.

Sun rises on a new financial era in Tokyo

Robert Thomson examines moves by three Japanese banks in the securities business

WHEN LTCB Securities opens the door on a new financial era in Japan today, employees will be wearing uniforms distinctively different from that of their parent institution, the Long-Term Credit Bank of Japan.

"The uniforms have to be not only a different colour, but a different style," explained Mr Shigeaki Katagiri, president of LTCB Securities. "This is part of the firewall between the bank and the securities subsidiary. We also cannot call on a client together with a bank official. It has to be separate."

Three Japanese banks open securities subsidiaries for business today. But, as the finance ministry's strict dress code suggests, they will be limited in their operations out of deference to a broking industry still badly bruised by the collapse of the Tokyo stock market.

But Mr Katagiri is enthusiastic about the opportunities created by financial deregulation, as are his counterparts at IBJ Securities, a subsidiary of the Industrial Bank of Japan, and Norinchukin Securities, owned by the central agriculture bank. All three operations have found new offices down the street or across the road from their parent bank.

Before the stock market crash, these banks were to be allowed to house their securities subsidiaries at head office, but by the time the Financial System Reform Act became effective in April this year, the guidelines had been changed, and tougher controls were imposed on dealings between broker and bank.

In return for the banks' entry into broking, existing brokers are allowed to establish trust bank subsidiaries, though they will not be allowed immediate access to special large-lot securities trusts and special loan trusts in which public funds are invested, protecting the territory of the trust banks.

The guiding principle of financial reform in Japan is to maintain a balance between new opportunities and the old players. As a result, only two long-term credit institutions and the agricultural bank will open securities subsidiaries today, while other commercial banks may have to wait another year or two.

These new broking companies are not permitted to deal in stocks, but can trade in straight bonds, and underwrite, though not trade in, convertible bonds and warrant bonds. The finance ministry has promised a gradual easing of restrictions, with timing determined by the general health of securities markets.

Mr Astuyoshi Yatsunami, president of IBJ Securities, is "not optimistic" about profits for the next two to three years, but "in due course" expects earnings to improve. For IBJ, the opening of a securities subsidiary is heavy with history, as it underwrote the first batch of Manchurian Railway bonds in 1907 and has always seen itself as more than a bank.

WHAT THE BANK BROKING UNITS CAN DO

	Primary market	Secondary market
Straight bonds	Yes	Yes
Convertible bonds	Yes	No
Warrant bonds	Yes	No
Stocks	No	No
Stock Index	No	No

Source: Long-Term Credit Bank of Japan.

CORPORATE BOND ISSUES IN JAPAN

	Issues	Amount
1989	28	Y749bn
1990	21	Y729bn
1991	52	Y2,066bn
1992	63	Y2,427bn
1993	106	Y3,820bn

Source: Bond Underwriters' Association of Japan.

IBJ's close links to leading Japanese companies had prompted concern among brokers, who thought it had an unfair advantage and wanted the firewalls to be as thick as possible.

One limitation is that IBJ Securities cannot lead manage a bond issue for smaller companies for whom IBJ is also the lead commissioned bank.

"We hope that after two to three years, some of the conditions will be eased," Mr Yatsunami said. "The global tendency is to have more deregulation in financial markets. We hope this will be gradually realised in Japan."

The emergence of the three institutions comes against the background of banks having worked in the past to limit the growth of the domestic corporate bond market, seen as a threat to their role as companies' main source of funds. Restrictions were imposed on the type of instrument and length of maturity to protect the traditional markets of the three differing banks, the long-term credit, trust and commercial.

Financial reform has changed the terms of that relationship and reshuffled banks' vested interests, as Mr Katagiri explained. He said Japanese companies have more choice in fund raising, and banks are aware of the shift towards tapping the capital markets.

He expects the new companies will profit from the expansion of the domestic corporate bond market, particularly the secondary market, while LTCB Securities will use expertise gained from the Euromarkets to introduce new products in Japan.

However, the finance ministry has been slow to accept new products, and LTCB may have to push hard for the approval of innovation.

US and European brokers complain that, in other markets, an action is allowed unless specifically prohibited, but, in Japan, an action is forbidden unless specifically permitted by the powerful ministry.

"Compared to the new issue market, the secondary bond market is almost non-existent in Japan. Developing the secondary market is a priority for the development of the new issue market. Compared to the size of the economy, the new issue market is very small," he said.

Employees at the new companies have been drawn from the international securities operations of the banks, as well as from the medium-sized brokers with which they have close ties. For example, IBJ has close ties to Wako Securities, New Japan Securities, and Okasan Securities.

IBJ Securities has 140 employees, LTCB Securities 85, and Norinchukin Securities 42. Norinchukin plans to take advantage of its rural roots to offer underwriting services "mainly with the agriculture and marine-related industries", but intends to provide a similar range of services to the other two houses.

Bavaria to sell 8% stake in Deutsche Aerospace

By Judy Dempsey in Berlin

THE GERMAN state of Bavaria yesterday confirmed it will sell its 8.58 per cent stake in Deutsche Aerospace by the end of the year. The sale is expected to raise DM400m (\$233m).

The stake, which will be sold to Daimler-Benz, the parent company of Dasa, follows Bavaria's announcement on Friday of plans to sell its 58.3 per cent stake in Bayerwerk, the country's third largest utility, to Viag, the large energy-based conglomerate.

The announcement coincides with plans by Dasa to axe 8,000 workers by the end of 1994 in response to recent budget cuts and the economic downturn in Germany. Last year, Dasa recorded a loss of \$217m on a turnover of \$11bn.

The speed in which Mr Edmund Stoiber, prime minister of Bavaria, has pressed ahead with privatisation appears to point to a two-pronged strategy by the Bavarian government. On the one hand, by reducing state interference in the economy, it hopes to attract large conglomerates to Bavaria.

On the other, the Bavarian government intends to promote an indigenous high-tech industry in the state.

Burns Philp to shed hardware operations

BURNS Philp plans to shed its hardware retail operations in an A\$400m (US\$271m) to A\$500m public flotation and focus on expanding its food business, Reuter reports from Sydney.

The food and hardware group intends to float off its BBC Hardware unit as a separate company in a year or so. Burns Philp shareholders were likely to be offered a chance to take part in the flotation.

Nestlé sales growth slows down

By Ian Rodger in Vienna

NESTLE, the world's largest food and mineral waters group, said consolidated sales improved by 4.5 per cent to SFr27.5bn (\$18.2bn) in the first half-year.

In the first quarter, the group's sales rose 6 per cent and in the whole of last year, they advanced by 8 per cent.

Nestlé indicated that the slower sales growth was largely due to the impact of the significant devaluations of the Italian, British and Spanish currencies on its Swiss franc-denominated accounts.

The group said it expected that the sales growth for the full year would be higher than that in the first half and that "a satisfactory consolidated net profit" would be achieved.

First-half sales volume grew only 1 per cent, and the group cited "a difficult economic environment, especially in most European countries". It claimed good progress in Asia and Latin America, and said the Brazilian market improved. North American sales grew "slightly".

The acquisition of the Source Perrier mineral water group had a favourable impact on sales as did price increases in some countries.

Nestlé said it had detected "the first signs of improvement" in European markets, especially in the second quarter.

Earnings at Posco surge ahead

By John Burton in Seoul

POHANG Iron & Steel (Posco), the world's second largest steel company, reported that net earnings rose by 40.7 per cent to Won133.9bn (\$166m) during the first half of 1993. Sales rose by 14.4 per cent to Won3,440bn.

The results, which were better than expected, reflected a recovery in domestic demand and strong exports to China.

Demand from big steel-consuming industries, including the motor vehicle and shipbuilding sectors, has risen recently as the depreciation of the Korean won against the Japanese yen improves sales abroad.

Posco accounts for 75 per cent of steel production in Korea.

China has emerged as the leading overseas market for Korean steel products with shipments tripling so far this year.

This has offset sluggish exports to industrialised countries caused by the economic slowdown and anti-dumping duties imposed by the US.

Posco's tense relations with the government of President Kim Young-sam appears to have had little affect on its earnings performance.

Posco fell into disfavour because its founder, Mr Park Tae-joon, opposed the election of Mr Kim last year.

US MONEY AND CREDIT

Rally threatens to run out of steam

BOTH ends of the US yield curve were given a firm tug upwards last week, ending a period of equanimity in short-term interest rates and putting paid to the seemingly inexorable march of long-term rates to ever-lower levels. Just a temporary setback, or the beginning of the end for the bond market's prolonged rally? The answer could become clearer this week, as the latest batch of economic data – including provisional gross domestic product for the second quarter – reveals just how fast the recovery is proceeding.

It was not difficult to see why short-term yields rose. Appearing before the House Banking Committee on Tuesday to deliver his biannual Humphrey-Hawkins testimony, Mr Alan Greenspan, chairman of the Federal Reserve, surprised the bond market with what was taken to be a warning that interest rates would have to go up in the near future.

The bond market had allowed itself to be reassured by the inflation data for the last two months. But Mr Greenspan was having none of it: consumer price inflation had stabilised at around 3 per cent, he said. With Federal funds at the same level, real interest rates were effectively zero – a level that was not sustainable indefinitely. The level of real interest rates has been upgraded by the Fed as an economic indicator, he said, along with other indicators like the price of gold (which has bounced back from its seven-year low this spring). The significance of money supply data had been downgraded. Mr Greenspan's change in emphasis hurt short-dated paper: by the end of the week, the yield on two-year Treasury bills had risen by some 25 basis points, to 4.2 per cent.

Mr Greenspan's inflation-bashing comments should have given heart to the long end of the bond market. Instead, they were taken as an excuse for a round of profit-taking: a 6.5 per cent yield had been seen by many as marking the floor for long-term bond yields, and this seemed as good an excuse as any to lock in some of the gains of recent weeks. From a yield a week before of 6.54 per cent, the long bond had widened out to 6.7 per cent at the end of last week.

The progress of the Clinton administration's deficit-reduction package, and the prospect of a deluge of new bonds from companies, municipals and the federal government, were also hanging heavily over the long bond. Hopes that a compromise deficit-reduction bill between the Senate and Congress would be stitched together before the August recess were damaged by a gathering corruption scandal that threatens to engulf Mr Dan Rostenkowski, a key Democrat negotiator in the process.

Meanwhile, companies lined up to lock in to low long-term rates while they were still around. Disney and Coca-Cola led the charge down the yield curve, producing the first 100-year bonds in the US for nearly four decades. Companies tapped the markets for nearly $10bn during the week, double the level of the week before.

It all added up to a good reason for investors to sell bonds. But how far will the market retreat? Data this week is expected to maintain the positive tone that has supported bonds for so long. Provisional GDP figures for the second quarter on Thursday are expected to show the economy recovering steadily after its first-quarter slowdown, at around 2.5 per cent. In the midst of last week's slide, at least one thing remained constant: the yield curve flattened further, a sign that inflationary expectations are gradually being squeezed out of the market. The gap between two and 30-year bond yields narrowed by around 15 basis points, to 250 basis points. That at least is some comfort for holders of the long bond.

Richard Waters

EUROPEAN BONDS

Prospects depend on the ERM's fate

ONCE again, the prospects for European bond markets are bound up with the fate of the exchange rate mechanism, which many economists and investors think will stand or fall depending on events this week, or over the next few weeks.

The first test is the release of German inflation figures for July, which are due to be announced today, although there were market rumours on Friday that their release could be delayed, because of fears over market reaction.

"If the figures are bad, the ERM will be attacked with renewed force," said Ms Alison Cottrell, international economist at Midland Global Markets.

A deterioration following last month's inflation figure of 4.2 per cent is expected, but a substantial worsening will make it harder for the Bundesbank to offer more than a token easing of German interest rates. Analysts say that at this stage in the crisis a substantial easing of German rates, perhaps as much as a full point, is needed to have any real stabilising effect on the currencies still in the ERM.

Market participants will be watching for a move to ease rates at both the repo early in the week and the Bundesbank council meeting on Thursday, the last before council members break for a month (although the Bundesbank could still ease other rates).

Even if the Germans do cut rates this week, the ERM still faces further potential pressure at the beginning of August, when a series of German economic data including production and employment are due.

Some analysts believe that under these conditions the ERM has become untenable.

"The shelf-life of the ERM is pretty limited," said Mr Neil MacKinnon, chief economist at Citibank, who argues that it is not feasible to maintain interest rates at double-digit levels when there is double-digit unemployment, as is the case in several European countries at the moment.

Paradoxically, in the case of either a breakdown of the ERM or a maintenance of the status quo, investors and economists favour higher yielding European bond markets.

"An ERM break-up would be dire for the Bund market," according to Ms Cottrell. Although the D-Mark would strengthen as a result, Ms Cottrell believes a stronger currency "would threaten the prospects of economic recovery".

German bonds have benefited from the perception of the D-Mark as a safe haven, causing yield spreads of other European bonds to widen against Germany. But this process could now be reversed.

Mr Philip Saunders, fixed-interest director of Guiness Flight, the investment management firm, said he is "not enamoured" of the German market, even though he thinks that the Bundesbank will ultimately come down on the side of the ERM. Instead, he has hedged the currency component of other European bond holdings into sterling.

"If you remove the currency-flight part of the equation, then there don't seem to be good reasons to buy Germany," he said.

Mr Robert Gambi, manager of international bonds and currencies at AMP Asset Management, holds a similar view. "The current turmoil is providing us with a great opportunity to become overweight in other [European bond] markets." For example, he recently established a new position in Danish bonds, hedging the currency exposure back into D-Marks.

Both economists and investors are taking the view that the non-D-Mark bloc could be poised to stage a strong rally. A number of analysts favour Italy, untrammelled by the ERM, which has already staged a recovery in recent weeks, and the French bond market remains a favourite, though investors may not want to take on exposure to the French franc at the moment.

Tracy Corrigan

UK GILTS

Buyers retreat as air of excitement evaporates

THE ATMOSPHERE of excitement which has suffused the gilts market, particularly at the long end, showed signs of abating last week.

Enthusiastic buyers, particularly overseas investors who have pushed yields to new lows recently, have begun to feel that they had had enough excitement for the time being. There are several powerful reasons for this.

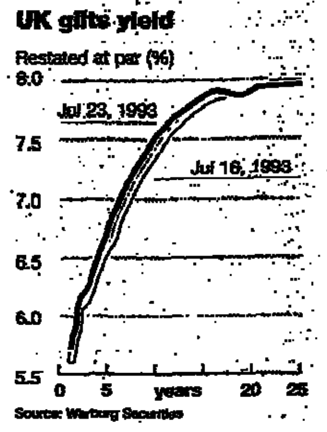
Firstly, recent economic data has been disturbingly buoyant with retail sales rising and exports outside the EC making a strong showing. This was compounded by a 0.5 per cent gain for gross domestic product in the second quarter, suggesting that the UK might see 2 per cent growth this year.

Second, there is the increasingly unpredictable political situation ahead of the Christchurch by-election and following the Government's defeat on Thursday in its vote on the social chapter of the Maastricht treaty.

Finally, the supply arguments are starting to look authorative. Another huge government bond auction takes place on Wednesday, adding £3.25bn worth of stock maturing in 2001.

Yields within the five to 10-year range rose quite sharply last week and the very short-dated maturities were relatively firm. But the long end of the yield curve was barely changed with 8.75 per cent stock dated 2017 still offering less than 8 per cent by the close of dealing on Friday.

UK gilts yield



Source: Warburg Securities

However, as Mr Roger Bootle, chief economist at Midland Global Markets, says: "The characteristics of this market astound those who haven't taken on the low inflationary view."

It is that growing confidence in the long-term economic fundamentals of the UK, particularly the belief in steady growth combined with low inflation, that inspires most economists to believe in a continuation of the downward trend in long-dated yields.

Mr Bootle sees long yields hitting 7.75 per cent by the end of the year. He is also confident that base rates can fall by another point within the same period – and possibly by as much as another three points – which would bring down short-dated yields.

At S.G. Warburg Securities, economist Mr Kit Juckes is equally confident that rates will fall further, arguing that the Maastricht vote tension only increases that likelihood. "Worried politicians are rate cut politicians," he says.

Gilts have reflected that confidence. Every time there is a dip in prices, buyers return and push the price back up. Gilts were dented by the high street sales figures and early political worries but they fought back later, and after a gut reaction on Friday morning they largely ignored the government's defeat.

The consensus, therefore, is that the market will continue onwards and upwards – but not just yet. The government faces a by-election this week and is unlikely to ease beforehand. And, overseas investors could start to take profits over the next few days.

Longer term, however, a more cautious view is expressed by Mr Ian Harnett, economist at Société Générale Strauss Turnbull. "Despite inflation at a 30-year low, we remain sceptical about the ability of the government to deliver non-inflationary growth," he says.

Peter John

Kellogg to go ahead with $200m debt issue

By Karen Zagor in New York

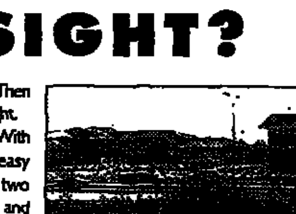
KELLOGG, the US cereals group which posted a profits warning earlier this year, has turned in second-quarter earnings in line with its predictions and said it would go ahead with a debt issue of $200m.

The company also increased its stock dividend to 34 cents a share from 32 cents. Net income for the three months ended June fell 14 per cent to $142.7m, on sales which slid nearly 3 per cent to $1.54bn. Earnings per share were 9 per cent lower at 62 cents from 68 cents.

In May, Kellogg warned that its second-quarter earnings would be hit by unfavourable exchange rates, trade inventory adjustments and unexpectedly slow economic recoveries in its key markets, including Europe, Mexico and Australia.

Mr Arnold Langbo, Kellogg's chief executive, said the company still expects to post record results for the full year, "and we remain committed to delivering low double-digit growth in earnings per share over time".

For the first six months, Kellogg had net income of $321.9m, or $1.38, on sales of $3.06bn compared with profits of $103.6m, or 43 cents on sales of $3.1bn a year ago.



FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
Abb Intl Fin 6⅞ 96	200	103¼	-⅛	5.03
Abbey Natl Treasury 6½ 03	1000	99⅛	-1½	6.58
ABN 9⅛ 94	200	104⅞	-⅛	4.15
Aetna Life Cas 7⅛ 16	200	99½	-⅜	7.80
AlbertaProvince 8⅞ 96	750	109⅞	-⅛	5.31
AlbertaProvince 9⅜ 95	600	109½	-⅛	4.82
American Express 0 00	450	61½	-1	6.80
American General 9¾ 95	100	108½	-½	5.03
American Intl 0 04	750	47⅞	-⅛	6.88
Amoco Canada 7¼ 02	250	105⅞	-1⅛	6.36
Astinag 7½ 02	200	106⅞	-1⅛	6.31
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SAS 10⅛ 95	150	108⅞	-⅛	5.93
SBAB 9½ 95	500	108⅛	-⅛	4.73

	Issued	Bid price	Chg on week	Yield
SBC Finance 7¾ 96	200	107⅛	-⅛	5.22
Sears Euro Trust 8¼ 96	750	108⅛	-½	5.40
Sears o/s Fin Zero 0 98	500	72⅞	-⅜	6.57
Sears Roebuck Euro 9¼ 95	500	107⅞	-⅜	4.88
Skandinaviska Ensk 7⅞ 97	500	104⅛	-⅜	6.07
SNCF 9½ 98	150	116¼	-⅛	5.87
Spain 6½ 99	1500	103	-1	5.90
State Bk NSW 8½ 96	200	108⅛	-⅛	5.43
Sweden 5½ 95	2000	101⅝	-⅛	4.74
Sweden 6½ 03	2000	101⅛	-1	6.44
Sweden 9¾ 98	350	114⅛	-⅛	5.62
Swedish Export 8⅞ 98	700	108¼	-⅝	5.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 0 15	2000	22⅞		6.60
World Bank 5⅜ 98	300	99⅝	-⅛	5.00
World Bank 8⅝ 00	1250	112½	+¼	6.40

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
Asian Dev Bank 6 10	100	107¾	+¼	5.30
Council Europe 4⅞ 98	250	101⅛		4.44
EIB 6¾ 04	300	112¾	+¼	5.27
Elec de France 7¼ 06	100	114½		5.80
Finland 7¼ 99	300	112	+¼	4.85
General Motors 7½ 95	100	103		5.57
Hyundai Motor Fin 8½ 97	100	109		5.97
Iceland 7⅞ 00	100	112½	+1	5.43
Kobe 6¾ 01	240	109⅝	+⅛	4.86
New Zealand 4⅞ 99	200	100¼		4.82
Ontario 6¼ 03	400	107⅛	+⅛	5.24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Takashimaya	[illegible]	[illegible]		[illegible]
Toyo Sash	02/07/96	6⅞	-1½	32.70
YAMATAKE-HONEYWELL	12/02/97	24½	-3¾	11.39

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=Current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on July 23

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Sterling convertible bonds return to favour

THE POUND'S reversal of fortune in recent months has provided a welcome boost for sterling-denominated convertible bonds. As last week's successful £91m convertible bond issue from SG Warburg Group demonstrated, continental European investors are avid buyers of Eurosterling equity-linked paper: they are keen on the currency, feel they have protection on the downside, and they expect to see a recovery in the stock market performance in a few months' time.

How things have changed. Less than a year ago, sterling was branded the black sheep of the European exchange rate mechanism as repeated attempts to support the pound failed, leading to sterling's ignominious departure from the ERM last September. That left the Bank of England free to cut interest rates quite dramatically with the result that the yield curve shifted from inverted to positive. Since then, sterling has enjoyed a revival from overseas investors either looking for the currency to appreciate or, in more recent times, regarding it as a safe haven while other ERM currencies take a buffeting.

The fall in interest rates has meant that UK companies have been able to issue convertible bonds with much lower coupons than circumstances would have dictated a year ago – hence the flood of equity-linked offerings from names such as Inchcape (the UK-based motor and business-services group), Sedgwick (the insurance broker), P&O (the transport group), and Yorkshire Water.

"From the investors' point of view, they may be dropping a bit in bond yield when they buy a convertible bond [as opposed to a straight bond], but they expect in six or 12-months' time to be riding on the back of a very strong equity market as the recovery in the UK economy takes off," says one convertible bond specialist.

A fund manager at a French bank says: "We've been very positive on these convertible bond issues: we like the quality of the paper, the pricings were in line with the market, we're positive on the pound and we're positive on the stock market."

The string of successes was interrupted by Allied-Lyons, the drinks, food and retailing group, which launched a £200m, 15-year convertible bond issue in May. The deal was deemed a flop at the time, with many claiming it had been mispriced, although the price has since recovered. Some felt at the time that that failure might dent demand for further issues although that has not proved the case.

Indeed, one of the market's talking points is who might come next. There are rumours that one of the power or electricity companies might launch a convertible bond shortly. Equity-linked experts point out that some of the banks would be suitable candidates given that they are seen as "recovery plays", like the insurance companies which have already tapped the sterling convertible bond sector. "There are some deals in the pipeline, but perhaps they are looking for that extra interest rate cut before they go ahead," says one analyst.

There is also plenty of discussion about the trend in coupons, which have been in the range of 6.25 per cent (for Inchcape) to say 7.25 per cent (for Sedgwick). For Swiss and other continental investors, these coupons are still seen as attractive. Recent issues have tended to come at the lower end of the indicated coupon range, and the higher end of the indicated conversion premium range. Some convertible bond experts wonder whether the next issuer will be able to breach the 6 per cent coupon level.

"I think to break through 6 per cent you would need to have a really good, top ten name, and it would be difficult, especially since short-term interest rates have edged up a touch," argues one equity-linked specialist while conceding that "the temptation for the borrower to push through 6 per cent must be overwhelming".

Another expert argues: "You certainly could get a coupon of below 6 per cent, but investors are generally yield-hungry so in terms of the market we know that deals go better with a higher coupon."

Sara Webb

NEWS Corporation, the Australian media group, is to raise US$250m through an issue of guaranteed cumulative preference shares, writes Bruce Jacques in Sydney.

The issue is being made through Newscorp Overseas which is selling 10m cumulative preference shares. The shares carry an 8% per cent coupon and are guaranteed by News Corporation. Funds will be used for "general corporate purposes".

The issue is underwritten by Merrill Lynch, Allen & Co, Oppenheimer & Co, PaineWebber, Prudential Securities and Shearson Lehman Brothers. Merrill Lynch also acted as lead manager.

Directors said the shares would be rated BBB minus by Standard & Poor's Corp and B1 by Moody's Investors Service.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Daido Steel Co.(a)ϕ	200	Jul.1997	1.375	100	-	-	Nikko Europe
Bancomext(e)	200	Aug.2003	8#	99.6R	8.029	+232 (6¼%-03)	Lehman Brothers Intl.
Columbus Discovery★‡	180	Jul.1996	(f)	100R	-	-	Salomon Brothers Intl.
Banco Holandes Unido	30	Aug.1996	7#	99.75R	7.094	+282 (4¼%-96)	ABN Amro Holdings
Perez Companc, Argentina	200	Jul.1996	8.375#	99.859R	8.410	+340 (5⅛%-96)	Citibank International
Continental Bank Corp.(g)‡	150	Aug.1998	(g)	99.75R	-	-	Merrill Lynch Intl.
Sony Capital Corp.	130	Jul.1998	5.625	100.25	5.566	+50 (5⅛%-98)	Mitsubishi Finance Intl.
Banco do Brasil	200	Aug.1998	9#	99.566R	9.110	+400 (5⅛%-98)	Chemical Inv./ Paribas
Commerzbank O'seas Finance‡	150	Aug.2005	(m)	99.75R	-	-	Kidder Peabody Intl.
CSFB Finance (Neths.)‡	150	Aug.2003	(n)	99.875R	-	-	CSFB
Banco Internacional, Cayman	100	Aug.1998	8.75#	99.801R	8.800	+360 (5⅛%-98)	Bankers Trust Intl.
San Paolo (Nassau)(o)‡	50	Jul.2003	(o)	(o)	-	-	Kidder Peabody Intl.
PDV America, Tranche 1(q)	250	Aug.1996	7.25#	99.589R	7.350	+210 (5⅛%-98)	Salomon Brothers
PDV America, Tranche 2(q)	250	Aug.2000	7.75#	100R	7.750	+218 (5½%-00)	Salomon Brothers
PDV America, Tranche 3(q)	500	Aug.2003	7.875#	99.166R	7.995	+210 (6¼%-03)	Salomon Brothers
Goldman Sachs Group	200	Aug.1996	5	99.46R	5.199	+63½ (4¼%-96)	Goldman Sachs Intl.
Bayerische Hypobank‡	100	Aug.2003	(r)	99.5R	-	-	Goldman Sachs Intl.
China Inv'ment Bank, Beijing‡	100	Aug.1998	(s)	100	-	-	Nomura Intl. (Hong Kong)
D-MARKS							
LKB Baden Würt'berg Finance	1.5bn	Aug.2003	6.625	99.425R	6.706	+18 (6¾%-03)	Deutsche Bank
De Nationale Investeringsbank	250	Aug.1998	6.25	101.55	5.883	-	Swiss Bk.Corp.(Deutsch.)
Sudwest LB Cap.Mkts.Finance	250	Aug.2003	6.75	102.55	6.397	-	Merrill Lynch Bank
STERLING							
SG Warburg Group(j)§	91	Aug.2008	6.5#	100	-	-	SG Warburg Securities
FRENCH FRANCS							
Crédit Local de France(i)	300	May.2003	7	100.52R	6.919	+21 (6¾%-03)	CCF
YEN							
Itochu Corp.★	20bn	Nov.1997	4.5	100.25R	4.439	-	Merrill Lynch Intl.
Mitsubishi Corp. Finance	12bn	Nov.1995	3.55	100.15R	3.474	-	Mitsubishi Finance Intl.
Nippon Oil Finance(Neths.)	4.5bn	Nov.1998	4.05	100.25R	3.96	-	Sakura Finance Intl.
CANADIAN DOLLARS							
Export Development Corp.	250	Aug.1998	6.625	99.526R	6.740	+29 (6½%-98)	Wardley, Hong Kong
Bacob Overseas, Cayman Is.	75	Sep.1999	7.25	99.65R	7.324	+70 (h)	Daiwa Europe
GUILDERS							
Kingdom of Denmark	1bn	Aug.1998	6.125	100R	6.125	+20 (6¼%-98)	ABN Amro Bank
ITALIAN LIRA							
World Bank	300bn	Aug.2003	9.45	101.75	9.175	-	BNL/ San Paolo, Turin
GECC	200bn	Aug.2003	9.55	102.29	9.190	-	Credito Italiano
International Finance Corp.‡	150bn	Aug.1998	(k)	100.45	-	-	San Paolo, Turin
Intl. Finance Corp.(p)‡	50bn	Aug.1998	(p)	100.45	-	-	San Paolo, Turin
AUSTRALIAN DOLLARS							
BMW Australia Finance	100	Aug.1998	7	101.875	6.548	-	Dresdner Bank
PESETAS							
Kingdom of Sweden‡	20bn	Aug.2000	(l)	99.8R	-	-	Banco Bilbao Vizcaya
DANISH KRONER							
Finance for Danish Industry	350	Aug.1998	7	99.27R	7.179	-	Morgan Stanley Intl.
AUSTRIAN SCHILLINGS							
Petroleos Mexicanos(t)	400	May.1998	8.375	102	7.850	-	Creditanstalt
SWISS FRANCS							
Nippon Ceramic Co.(b)★ϕ	70	Jul.1997	1.125	100	-	-	Daiwa Secs. Bank(Switz.)
Snow Brand Milk Prod.(c)★ϕ	200	Aug.1997	1.125	100	-	-	Swiss Bank Corp.
Akebono Brake Ind. Co.(d)★ϕ	150	Aug.1997	1.125	100	-	-	Nomura Bank (Switz.)
Nederlandse Gasunie	125	Aug.1998	4.25	102	3.803	-	UBS
Crédit Local de France★	150	Aug.1998	4.5	102.3	3.984	-	Banque Paribas (Suisse)
Bayerische Landesbank	100	Sep.2003	4.625	101.75	4.405	-	Credit Suisse
SBAB	100	Sep.1998	4.625	102	4.174	-	Credit Suisse
Treasury Corp. of Victoria	150	Aug.2001	4.75	102	4.447	-	UBS
DSL Bank	100	Aug.1998	4.25	102.25	3.748	-	Zürcher Kantonalbank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price. a) Denom.: $10,000 + 2 warrants. Exercise price: Y579. FX: 109.25Y/$. b) Denom.: SFr50,000 + 50 warrants. Exercise price: Y2614. FX: 73.16Y/SFr. c) Denom.: SFr50,000 + 50 warrants. Exercise price: Y832. FX: 72.47Y/SFr. d) Denom.: SFr50,000 + 50 warrants. Exercise price: Y810. FX: 72.98Y/SFr. Callable on 5/8/95 at 102% falling ½% semi-annually. e) Borrower is Bancomext as trustee of "Hultes Trust". Guaranteed by Bancomext. f) Coupon pays 6-month Yen Libor + 3% in $. Coupons and principal are indexed to Yen. Puttable from 3rd coupon payment date at par. g) Coupon pays 3-month Libor + 0.5%. Callable at par on interest payment dates from Aug.1996. h) Spread is over the interpolated yield curve. i) Fungible with the outstanding FFr2.5bn launched in May. Plus 88 days accrued interest. j) Conversion price: £6.54. Callable at par from 20/8/98. k) Coupon pays 3-month Libor - 0.3%. l) Coupon pays 10.75% fixed annual in first year and 18% - 6-month Libor thereafter. m) Coupon pays 6-month Libor - 0.25%; minimum 5.25%, maximum 8%. n) Coupon pays 6-month Libor - 0.125%; minimum 5.5%, maximum 9.5%. o) Issue launched on 26/6/93 was increased to L200bn. Coupon pays 6-month Libor - 0.1875%; minimum 8%, maximum 10%. Price undisclosed. p) Issue launched on Wednesday was increased to L200bn. Coupon pays 3-month Libor - 0.3%. q) 3 tranche global deal. r) Coupon pays 6-month Libor - 0.25%; minimum 5.25%, maximum 8.25%. s) Coupon pays 6-month Libor + 0.525%. t) Fungible with the Sch700m launched on 17/5/93. Plus 63 days accrued interest. Note: Yields are calculated on ISMA basis.

RISK AND REWARD

Watchdog growls at the door of the swaps dealing community

Question: When is a $4,000bn monster really a $144bn pussycat? Answer: When the international swaps dealing community realises that its self-promotional enthusiasm has attracted a regulatory wolf to its door.

The International Swaps and Derivatives Association, the trade group that represents derivatives market participants, has made a great effort in the last five years to let the world know that derivatives' trading has become a huge and vitally important business.

"Derivatives" is a catch-all term that usually represents contracts or securities whose values are pegged to traditional financial products like shares and bonds.

As well as standardised contracts such as futures, traded on exchanges, a market in over-the-counter derivatives, mainly swaps, has been developed among banks and securities firms. These are products specially tailored to suit the needs of the end-user, and the market has proved highly profitable for many participants, whom ISDA represents.

In an interest rate swap, one party swaps the cash flow of floating-rate liabilities for a counterparty's fixed-rate liabilities. Swap dealers act as match-makers, finding suitable counterparties or acting as counterparties themselves.

Estimates of market size, supplied by ISDA, grew from $2,000bn to $4,000bn in notional value between 1991 and 1992, while the US Federal Reserve recently said the figure could be a high as $7,000bn.

Regulators have become concerned about such large amounts of money exposed in novel ways to credit, settlement, market, and systemic risks. The natural response by regulators was to take a good look at the products, and determine if they needed to checked.

The dealing community realised too late the mistake it had made, and began back-pedaling rapidly. It organised its own study of the market, under the cloak of the Washington-based think-tank, the Group of 30, to demystify and deflate the scope of derivatives trading.

"By any measure," the G30 report said, "derivatives are a major financial activity. Some have even portrayed it as a multi-trillion dollar business dwarfing activity in other financial markets. But a more careful comparison reveals that, while derivatives activity is growing rapidly, its size remains modest in relation to foreign exchange, bonds, or equities." One ISDA board member admits that: "It was probably a mistake to have focused on notional value [amount of the total assets] of derivatives. Notional value means nothing in relation to capital risked in derivatives trades. It has backfired on us."

To follow up on the G30 report, ISDA plans to publish "marked to market" derivatives values in the future. These figures represent only the capital risked in a derivatives deal, and should amount to less than 5 per cent of notional value.

A G30 report supplement puts market value of all over-the-counter derivatives positions at the 50 largest US bank holding companies in 1992 at only $144bn – or about 11 per cent of bank assets.

Whether this slimming act will deflect regulators' concerns remains to be seen. ISDA members will convene in New York this week to discuss the G30 report and its recommendations, which lean heavily on sound management practices.

Despite the conclusion by Mr Paul Volker, G30 chairman, that no new regulations are needed for derivatives trading, dealers know that important new constraints are already in the pipeline and could have a significant impact on how they do business.

Laurie Morse

Correction

SG Warburg was last week wrongly described as the architect of a new money purchase service with a guaranteed fund. In fact, Mercury Asset Management (MAM) is offering the product through its Mercury Life Assurance Company subsidiary. Munich Reinsurance has agreed to provide reinsurance on the potential liabilities of Mercury Life in connection with the guaranteed fund. MAM is 75 per cent owned by the SG Warburg group.

THE WEEK AHEAD

ECONOMICS

More bad news for France

FRIDAY WILL be an uncomfortable day for the French government with the release of unemployment statistics for June. The expected rise in the rate of unemployment to 11.6 per cent comes at a time when the government is under pressure to ease monetary policy, but is prevented from doing so because of its commitment to keeping the franc at its current value against other European currencies.

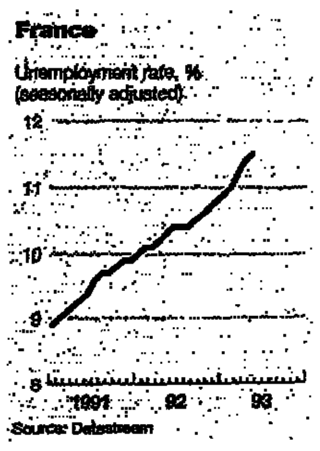
Until Germany eases its interest rates, short of leaving the European exchange rate mechanism, it appears that the French government will have to preside over the unpopular combination of high unemployment and high real interest rates.

There will be no easing of pressure on the UK government this week. Although strong economic statistics are working in the government's favour – the Confederation of British Industry's industrial trends survey tomorrow is expected to confirm a steady economic recovery – the Conservative party looks set to lose the Christchurch by-election on Thursday.

The following are some of the week's other economic highlights and events. The figures in brackets are the median of economists' forecasts from MMS International, a financial information company.

Today: UK, Franco-British summit: attended by Mitterand, Balladur and Major. Germany, July cost of living for Baden-wuertt and Hessen. US, June existing home sales.

Tomorrow: UK, parliamentary recess begins; Q2 CBI quarterly industrial trends survey. US, July consumer confidence (67.0);



Johnson Redbook week ended July 24. Japan, June retail sales (down 5.4 per cent on the year). Australia, Reserve Bank of Australia board meeting.

Wednesday: US, June durable goods orders (up 1 per cent), durable shipments. Canada, June industrial production price index (up 0.1 per cent on month), raw materials price index (down 0.6 per cent on month). Australia, Q2 consumer prices index (up 0.5 per cent on quarter, up 2 per cent on year).

Thursday: UK, Christchurch by-election. Germany, Bundesbank council meeting in Frankfurt. Summer recess follows with no more meetings until August 26. US, advance figures for Q2 GDP (up 2.2 per cent), advance deflator (up 2.8 per cent); initial claims week ended July 24 (349,000); state benefits week ended July 17; June export price index, import price index; money supply data for week ended July 19. Canada, May employment earnings (up 2 per cent on year). Japan, June industrial production (up 1.6 per cent), shipments. Australia, June current account (A$1.5bn deficit), building approvals (up 4 per cent).

Friday: France, June unemployment rate (11.6 per cent). US, June new home sales (614,000), personal income (up 0.1 per cent); July Chicago NAPM; July Michigan sentiment; July agriculture prices; June bank credit. Canada, May real GDP (up 0.1 per cent on month). Japan, July Tokyo CPI (up 1.4 per cent on year), excluding perishables (up 1.4 per cent on year), national CPI (up 0.9 per cent on year), excluding perishables (up 1.1 per cent on year); June unemployment rate, construction orders, construction starts, housing starts (up 2.2 per cent on year).

During the week: Germany, June import prices (flat on month, down 3.2 per cent on year); July cost of living for Bavaria and Nord-rhine Westphalia, preliminary cost of living (up 0.1 per cent on month, up 4.3 per cent on year). Italy, June M2 (up 6.1 per cent on year), bank lending (up 5 per cent on year), trade balance (L1.5trillion surplus), balance of payments (L1trillion surplus), foreign exchange reserves (L67trillion). Spain, Q2 unemployment rate (22.4 per cent); May industrial production (down 5 per cent on year). Belgium, June CPI (up 2.6 per cent on year). Switzerland, June Geneva CPI. Japan, LDP elects party president; July wholesale prices index - second ten days.

Emma Tucker

RESULTS DUE

ON Thursday, Imperial Chemical Industries, the UK's largest chemical group, reports its first interim results without its bioscience business, Zeneca. Industry analysts' forecasts reckon pre-tax profits will be down from last year's £159m (excluding exceptionals) to about £140m. Figures will also be given for the old ICI, which included Zeneca.

Cost-cutting should yield some significant savings and the results will have benefited from a weak pound.

The performance of the industrial chemicals division will also be closely watched. Its titanium dioxide and caustic businesses are struggling but chemicals and polymers are expected to post significant improvements.

Zeneca, ICI's former bioscience business, also reports its half-year results on Thursday. Analysts expect it to report pre-tax profits at between £330m and £340m. Of particular interest will be the performance of the pharmaceuticals division.

The extent of the decline of Tenormin, once Zeneca's best-selling drug before its patents expired in the US, will be watched carefully, as will the growth of the four growth products – Zestril, a heart drug, the cancer products Zoladex and Nolvadex, and the anaesthetic Diprivan.

Some analysts are predicting an unexpected upturn in the agrochemicals division, after Monsanto this week reported a significant increase in sales of its herbicide Roundup in the US.

Reuters, the international information and news group, is expected to report an increase in interim pre-tax profits from £187m to about £210m tomorrow. Interest will centre on whether the group plans to distribute some of its £710m cash pile to shareholshareholders – and on the progress of new dealing systems such as Globex, which serves financial futures and options markets, and Dealing 2000-2, the group's automated foreign exchange product.

BAT Industries, the tobacco to insurance conglomerate, is expected to show increased interim pre-tax profits on Wednesday. Despite concerns about the prospects for the group's US tobacco business, profits are predicted to rise to £710m-£780m (£672m a year earlier). Eagle Star, the non-life insurance subsidiary, is gradually recovering profitability.

The interim reporting season for clearing banks starts on Friday with Lloyds, which is expected to show less of a rebound in profits than other banks because of greater consistency in earnings in the past two years.

Lloyds is also expected to be under some pressure in its net interest income because its UK loan book has been contracting. But analysts expect it to benefit from around £100m of release of less developed country debt.

Analysts expect a rise in pre-tax profits to £450m-£560m (£369m). Provisions for bad and doubtful debts are expected to fall to between £250m and £270m from £347m.

British Telecommunications is reporting first quarter results on Wednesday. Pre-tax profits will be around £780m (£731m), according to our forecast.

PARLIAMENTARY DIARY

■ **TODAY**

Commons: Questions to Transport ministers, Public Accounts Commission, Commons Commission and Commons Leader.
Summer adjournment debate.
Consolidated Fund (Appropriation) Bill, all stages, followed by an all-night session of backbench debates.
Lords: Statute Law Repeals Bill, third reading.
Pension Schemes Bill, third reading.
Pension Schemes (Northern Ireland) Bill, third reading.
Highland Regional Council (Wester Bridge) Order Confirmation Bill, third reading.
Education Bill, Commons amendments, Criminal Justice Bill, Commons amendments. Agriculture Bill, Commons amendments.
Select committee: Employment, subject – the management of redundancies. witness: Mr Neil Clarke, chairman, British Coal (5pm, room 15).

■ **TOMORROW**

Commons: Short backbench debates.
Lords: Finance Bill, all stages.
Criminal Justice Bill, Commons amendments.
Debate on call for aid to Refugee Council.

■ **WEDNESDAY**

Commons: Not sitting.
Lords: Noise and Statutory Nuisance Bill, committee.
Defence estimates debate.
Select committee: Health, subject – public expenditure on health and social services. Witness: Mrs Virginia Bottomley, health secretary (4.15pm, room 8).

The Commons rises for the summer break tomorrow and the Lords on Wednesday.
Peers return on October 11 and MPs on October 18.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Acatos & Hutcheson [illegible]
Bristol & West [illegible]
£158.94
Britannia [illegible]
£155.20
Brit. Airports [illegible]
Y168319.[illegible]
Co-operative [illegible]
£77.91
Drayton [illegible]
Hydro-Quebec [illegible]
2001 C$[illegible]
Do. Rtg. [illegible]
Japan [illegible]
Lloyds [illegible]
£170.16
Mitsui & [illegible]
NT & T [illegible]
North West [illegible]
Property [illegible]
Redland [illegible]
Sanderson [illegible]
Spintab [illegible]
Trio Hidgs [illegible]
Treasury [illegible]
Treasury [illegible]
Woolwich [illegible]

■ TOMORROW
Bank of [illegible]
$175.34
Fin. Rec[illegible]
No.1 Snr. [illegible]
£1452.98
Fleming [illegible]
Lon. & C[illegible]
Royal Bank [illegible]
30.33
St. James [illegible]
Telefonica [illegible]
York Water [illegible]
Do. A 6.2[illegible]

■ WEDNESDAY
Aberdeen [illegible]
Australia [illegible]
26.75
Bank of [illegible]
Bradford [illegible]
Jan.1995 [illegible]
Bristol Ev[illegible]
Canadian [illegible]
Canadian [illegible]
Do. 4% [illegible]
Do. (I) 0.[illegible]
Drayton [illegible]
Gen. Mot[illegible]
Rate Nts. [illegible]
Gold Fields [illegible]
Int Paper 9¾% Nts 1994 FF937.50
Johnson Matthey 7.1p
Mitsubishi Kasei 4.15% Nts. 1997 Y1106667.0
Nichimen 4.75% Nts. 1998 Y126666.0
Treasury 8½% Ln 2000 £4.25

■ THURSDAY JULY 29
Airtours 1p
BSS Grp. 11.5p
Camellia 17p
Dundee & Lon. Inv. Tst. 3p
Fundamex Elect. 5% Nts. 1998 Y500000.0
Govett Am. Endeavour $0.0552

[illegible]
Jarvis Porter 3.2p
London Scottish Bank 1.03p
Marks & Spencer 5.9p
Mexico Fd. $0.247
Moorgate Smaller Co's Inc 2.48p
Murray Enterprise 1.3101p
Murray Inc. Tst. 2.25p
Nat. Australia Bk. Rtg. Rate Nts. 1997 $186.0
NatWest. Bank Var. Rate Cap. Nts. 2000 $967.40
Nationwide Bldg. Scty. 3¾% IL Ln. 2021 £2.8218
Do. Rtg. Rate Nts. 1998 (Sec.2) £25.24
New Throgmorton Tst. (1983) Inc. 2.25p
Northern Investors 3.5p

[illegible]
House of Fraser 8% Un Ln '93/98 £3.00
Do. 8¼% Un Ln '93/98 £4.125
Iceland (Rep.of) 14½% Ln 2016 £7.25
Invesco 9% Cv Un Ln '95/00 £4.50
Land Sec. 10% 1st Mtg Db 2030 £5.00
Leeds & Holbeck Bldg. Scty. 13⅝% Perm.
Int. Bearing £68.65
Liberty 6% Cm. Pf. 2.1p
Do. 9½% Cm. Pf. 4.75p
Lowe's $0.05
Macallan-Glenlivet 7% Cm Pf 3.5p
Macdonald Martin Dists A Lim/Vtg. 6.8p
Do. B 3.3p

[illegible]
NYNEX $1.18
Quebec Central Railway 1st Mtg. 4% Db. Rd. £2.00
Scot. Agricultural Sec. 14% Db '93 £7.00
Scot. & Newcastle 7% Cv Cm Pf 3.5p
UK 4% Cons Ln £2.00
Walker Greenbank Cv Rd Pf 3.25p
Whitbread 4½% 2nd Cm Pf 1.575p
Witan Inv. 2.7% Cm Pf 1.35p
Do. 6¾% Db. '90/95 £3.375
Young & Co's Brew 4.2% Cm Pf 2.1p
Do. 9% Cm. Pf. 4.5p

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Allen, Britannia Hotel, Portland Street, Manchester, 12.00
Cranswick, Rowley Manor Hotel, Little Weighton, North Humberside, 11.30
Hewetson, Forte Crest Hotel, Castle Street, Hull, 12.00
Powerscreen Intl., Ironmongers Hall, Shaftesbury Place, Barbican, E.C., 12.00
Rowlinson Securities, London House, London Road South, Poynton, Cheshire, 12.00
St. James's Place Capital, Royal Automobile Club, 89, Pall Mall, S.W., 12.00
Shanks & McEwan, Hilton Hotel, 1, William Street, Glasgow, 12.00
BOARD MEETINGS:
Finals:
CRT Group
Independent Inv.
Merrydown
TR Smaller Co's Inv
Interims:
Capita
EFM Java Tst.
Motor World
Shandwick
Specialeyes
Union Discount
■ **TOMORROW**
COMPANY MEETINGS:
Amber Industrial, Cayzer House, 1, Thomas More Street, E., 2.30
Anglo United, Sheffield Moat House Hotel, Chesterfield Road South, Sheffield, 11.00
Chloride Group, CBI, Centre Point, 103, New Oxford Street, W.C., 11.30
Foster (John), Black Dyke Mills, Queensbury, Bradford, 10.30
Fulcrum Inv. Trust, Middlethorpe Hall, Bishopthorpe Road, York, 12.30
Hambros, 41, Tower Hill, E.C., 12.00
Lowndes Lambert, Waterman's Hall, 18, St. Mary-at-Hill, E.C., 11.30
Monks Inv. Trust, Brettenham House, 8, Lancaster Place, W.C., 10.30
Sterling Inds., Cayzer House, 1, Thomas More Street, E., 2.15
Thames Water, Barbican Centre, Barbican, E.C., 2.00
Whitbread, The Brewery, Chiswell Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Arlen
Goode Durrant
John Lusty
Menvier-Swain
Murray Smaller Markets
Stagecoach
Interims:
Allied Textile
Hotspur Invs.
Inveresk
Lloyds Abbey Life
RPS Group
Reuters
St. Modwen Props.
Temple Bar Inv.
Updown Inv.
■ **WEDNESDAY JULY 28**
COMPANY MEETINGS:
Andrews Sykes, 135, Bishopsgate, E.C., 10.30
Anglian Water, Performing Arts Centre, Hinchingbrooke School, Huntingdon, 11.30
Brent Walker, Cafe Royal, 68, Regent Street, W., 10.30
Bristol Evening Post, Hilton Int. Hotel, Redcliffe Way, Bristol, 12.00
British Steel, Westminster Central Hall, Storey's Gate, S.W., 11.00
Cakebread Robey, 318-328, Southbury Road, Enfield, Middx., 10.00
Caledonia Invs., Cayzer House, 1, Thomas More Street, E., 2.30
Cape, London Marriott Hotel, Duke Street, W., 12.00
Glenchewton, Chelsea Hotel, 17, Sloane Street, S.W., 10.00
Marshalls, Forte Crest Hotel, Clifton Village, Brighouse, West Yorks., 2.30
National Power, Grosvenor House Hotel, Park Lane, W., 11.00
Scottish Power, Scottish Exhibition & Conference Centre, Glasgow, 2.30
Severn Trent, Int. Convention Centre, Birmingham, 11.00
600 Group, Runnymede Hotel, Windsor Road, Egham, Surrey, 11.30
Staveley Inds., Hilton Hotel, 22, Park Lane, W., 12.00
Stirling Group, Churchill Hotel, 30, Portman Square, W., 12.00
BOARD MEETINGS:
Finals:
Banks (Sidney C)
Claybithe
Dyson (J & J)
Excalibur
Grosvenor Inns
MITIE
Pittigrom
Rubicon
Smith (David S)
Interims:
Contl. Assets Tst.
Corporate Services
Selective Assets Tst.
Sphere Inv. Tst.
Thornton Asian Emerging
■ **THURSDAY JULY 29**
COMPANY MEETINGS:
AAH Hldgs., Cafe Royal, 68, Regent Street, W., 12.00
Amersham Intl., Institute of Directors, 116, Pall Mall, S.W., 11.30
Asprey, The Westbury, Bond Street, Mayfair, W., 12.00
BSS Group, Grand Hotel, Leicester, 12.00
British Telecom, Harrogate Int. Centre, Harrogate, North Yorks., 2.00
Bulgin (AF), Bypass Road, Barking, Essex, 3.00
Camellia, Athenaeum Hotel, 116, Piccadilly, W., 10.30
East Midlands Electricity, Royal Centre, Nottingham, 11.00
Filofax Group, Filofax Centre, 21, Conduit Street, W., 10.00
Harris (Philip), Penns Hall Hotel, Sutton Coldfield, 12.00
Hawtal Whiting, Phoenix House, Christopher Martin Road, Basildon, Essex, 11.00
Hogg Robinson, London Press Centre, New Street Square, E.C., 10.30
Manweb, Sealand Road, Chester, 11.00
New Throgmorton Trust, 155, Bishopsgate, E.C., 12.00
Oxford Instruments, Old Station Way, Eynsham, Witney, Oxon, 11.00
Renold, Manchester Airport Hilton Hotel, Manchester, 2.30
Scottish Hydro-Electric, Perth City Hall, 11.00
TR Property Inv. Trust, 3, Finsbury Avenue, E.C., 12.00
Volex Group, Holiday Inn Crowne Plaza Midland, Peter Street, Manchester, 11.30
BOARD MEETINGS:
Finals:
London Merchant Sec.
Mayes
Ransom (Wm)
Unitech
Interims:
Allied Radio
Castle Cairn Inv.
Derby Tst.
Drayton Far Eastern
European Assets Tst.
Fairway
Freeman
Harrisons & Crosfield
ICI
LWT (Hldgs)
Lex Service
Zeneca
■ **FRIDAY JULY 30**
COMPANY MEETINGS:
Cater Allen, 20, Birchin Lane, E.C., 2.30
Chamberlin & Hill, Chuckery Foundry, Walsall, 12.00
Maddox Group, Forte Crest Hotel, Jermyn Street, St. James, S.W., 9.30
Portsmouth & Sunderland Newspapers, News Centre, Hilsea, Portsmouth, 12.30
Rothmans Intl., Inn on the Park, Hamilton Place, Park Lane, W., 12.00
Taunton Cider, County Hotel, Taunton, 10.30
Waddington (John), Glaziers Hall, 9, Montague Close, S.E., 12.00
Wellman, Grand Hotel, Colmore Row, Birmingham, 11.00
BOARD MEETINGS:
Finals:
Oceonics
Radiant Metal
SEET
Interims:
Abbey National
First National Fin.
INOCO
Lloyds Bank

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONTRACTS & TENDERS

Municipality of Rishon Lezion, Israel

TENDER FOR THE DEVELOPMENT OF THE ZADAL PRECINCT IN RISHON LEZION

Rishon Lezion Municipality hereby invites developers to submit its bids for the development of the Zadal Precinct in Rishon Lezion in the scope of a combination transaction project.

1. The Zadal Precinct is located in the very city centre of Rishon Lezion, its boundaries being Rothschild Street in the north, buildings bordering on Harav Singer Street in the east, Hacarmel Street in the south and City Garden in the west. The Precinct is to comprise buildings having an area of approx. 84,000 square metres (approx. 10,000 square metres for commerce, approx. 17,000 square metres for residences, approx. 15,000 square metres for offices - including Municipality offices and Beit Haam - and approx. 42,000 square metres underground car parks) and plazas, a pedestrian mall, pergolas, fountains and overall precinct development for the creation of a unique urban area.
2. The Tender document file comprises six volumes and an envelope containing a developer's questionnaire.
3. Details are required in the questionnaire with regard to financial and performance data (some of which are minimum requirements) clarifying the developer's financial position and professional experience. The Municipality's Tenders Committee will only examine bids from developers which, according to their answers in the questionnaire, meet the said minimum requirements.
4. The deadline for delivering the file containing the Bid and Tender documents to the Municipality's Tenders Committee is January 21st, 1994 at noon. The file must be delivered by hand. The Municipality's Tenders Committee may extend the deadline by written notice to everyone acquiring the tender documents and advertisements in the press.
5. The Tenders Committee will not be liable to recommend the bid which is best to the Municipality or any bid and may conduct negotiations with participating developers in the manner detailed in the tender. In such connection, the Tenders Committee also reserves its rights as provided in clause 33 of the invitation.
6. The Tender documents may be purchased from Mrs. Nitza Ariel, the Mayor's Project Assistant, at her office at City Hall, 24 Rothschild Street, Rishon Lezion, Israel, Tel. 972-3-9682318 within 60 days of the date of this publication, namely by September 9th, 1993 at noon. On obtaining the tender documents, a bank draft in the sum of NIS 17,000 is payable to the Municipality.
7. Since the transaction under the Tender involves the transfer of right in Municipal land, it requires approval by the Municipal Council and also by the Minister of the Interior, as regards Section 188 of the Municipalities Ordinance (New Version) and Section 195(1) of the Planning and Building Law, 5725-1965.
8. Those interested may telephone Mrs. Nitza Ariel to arrange a convenient time to visit the Zadal Precinct.
9. The Municipality will not pay brokerage to any entity in connection with the transaction under the tender.
10. This notice creates no obligation or liability whatsoever on the part of the undersigned or Rishon Lezion Municipality towards developers, including those who participate in the Tender. Only the Tender conditions detailed in the Tender documents are binding.

Developers are invited to offer their participation in this important enterprise for the mutual benefit of themselves and the Municipality.

Meir Nitzan, Mayor
Rishon Lezion Municipality

LEGAL NOTICES

THE INSOLVENCY ACT 1986
NEWMAN STREET PROPERTIES LIMITED
NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 11 Waterloo Place, London SW1Y 4AU on 28th July 1993 at 11.00 am for the purposes mentioned in Section 99 and 100 of the said Act.
Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU not later than 1200 hours noon on 27th July 1993.
A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on 26th July 1993 and 27th July 1993 between the hours of 1000 and 1600 hours.
Dated this 16th day of July 1993
B BICKELL
Secretary

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED
(Registration number 57/02788/06)

LIBERTY HOLDINGS LIMITED
(Registration number 68/02095/06)

LIBLIFE STRATEGIC INVESTMENTS LIMITED
(Registration number 83/06300/06)

PROPOSED LISTING OF LIBLIFE STRATEGIC INVESTMENTS LIMITED ("LIBSIL") ON THE JOHANNESBURG STOCK EXCHANGE

Joint announcement regarding:

- **the proposed listing of approximately 560 million ordinary shares in Liblife Strategic Investments Limited ("Libsil") on The Johannesburg Stock Exchange,**
- **the proposed offer by Liberty Life Association of Africa Limited ("Liberty Life") to its shareholders of rights to 114,57 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 50 ordinary shares in Libsil for every 100 shares held in Liberty Life,**
- **the proposed renunciation by Liberty Holdings Limited ("Libhold") to its shareholders of its rights to 59,52 million ordinary shares in Libsil at a price of 900 cents per share in the ratio of 130 ordinary shares in Libsil for every 100 ordinary shares held in Libhold, and**
- **notice of last day to register for the offer of rights to shares in Libsil (6 August 1993).**

1. INTRODUCTION

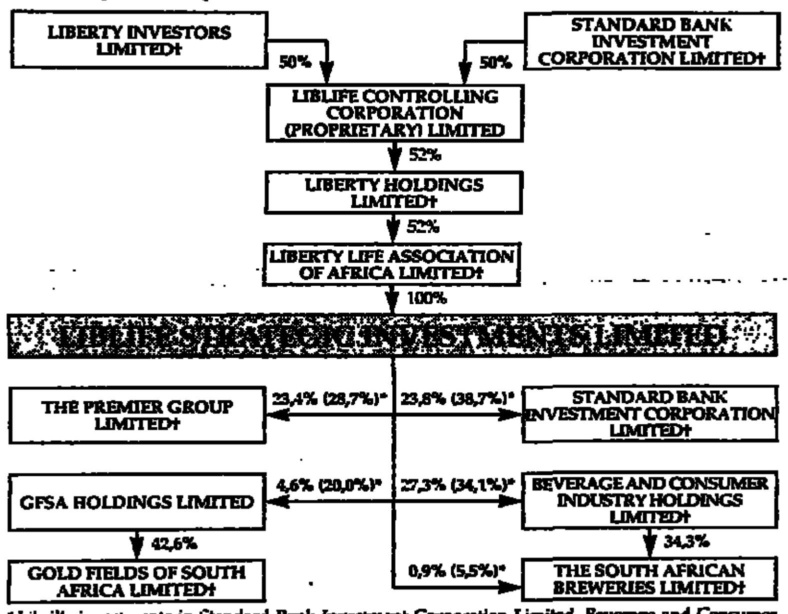
Libsil (formerly named The Liberty Life Investment Trust Limited) is a wholly-owned subsidiary of Liberty Life. It was incorporated in June 1983 for the purpose of holding, for the account of shareholders' funds of Liberty Life, part of the key strategic investments in leading South African industrial and financial companies which at the time of acquisition by Liberty Life were considered to be too large for prudent absorption within the policyholders' portfolios of Liberty Life. The market value of Libsil's underlying investments was approximately R5,6 billion as at 21 July 1993.

Liberty Life intends listing Libsil on The Johannesburg Stock Exchange ("the JSE") by offering to its shareholders the renounceable rights to 114,57 million Libsil shares ("the offer shares") in the ratio of 50 Libsil shares for every 100 Liberty Life shares held to raise approximately R1,03 billion for Liberty Life before expenses. These shares will be offered at a price of 900 cents per share calculated on the basis of a discount to Libsil's net asset value of around 10% at 21 July 1993.

In terms of the JSE regulations, Libhold, which owns 52% of the issued share capital of Liberty Life, will be renouncing to its shareholders its rights in respect of Liberty Life's offer in the ratio of 130 Libsil shares for every 100 Libhold shares held. The 30,97 million rights (equivalent to 27% of the offer) to which Liblife Controlling Corporation (Proprietary) Limited ("LCC") will be entitled in respect of its 52% interest in Libhold have been placed by Standard Merchant Bank Limited on behalf of LCC's shareholders by means of a private placement with selected institutional investors at a price of R10 per share, being 100 cents per right over the offer price, in aggregate approximately equivalent to Libsil's net asset value per share as at 21 July 1993. Standard Bank Investment Corporation Limited and Liberty Investors Limited have joint control of LCC, each owning 50% of its issued share capital.

2. THE LIBERTY LIFE GROUP STRUCTURE

The Liberty Life Group structure in relation to Libsil is as follows:



* Libsil's investments in Standard Bank Investment Corporation Limited, Beverage and Consumer Industry Holdings Limited, The South African Breweries Limited, The Premier Group Limited and GFSA Holdings Limited form the core of larger strategic holdings that The Liberty Life Group has in these companies.

The aggregate Liberty Life Group shareholdings are shown in parentheses. The difference between such aggregate shareholdings and Libsil's holdings primarily represents the shareholdings held by the policyholders' portfolios of Liberty Life.

† Listed on The Johannesburg Stock Exchange.

3. PURPOSE AND OBJECTIVES OF THE PROPOSED OFFER AND LISTING AND RESULTANT CAPITAL

3.1 Purpose

Libsil's investments represent a major part of Liberty Life's strategic holdings in high quality South African financial and industrial counters which are held for the account of shareholders' funds but exclude strategic offshore investments of Liberty Life, notably TransAtlantic Holdings PLC. The exceptional performance of these investments has contributed to Liberty Life's superior performance over an extended period of time. Libsil was formed in order to facilitate the acquisition of these strategic investments which, when acquired, were too large for prudent absorption within the policyholders' portfolios of Liberty Life. As a consequence, Liberty Life's shareholders' funds, together with additional finance raised, including issues of ordinary and preference share capital, provided the necessary funding for the acquisition of the balance of these important strategic holdings in excess of the levels regarded as prudent for policyholders at the time.

The listing of Libsil provides the opportunity for shareholders in Liberty Life and Libhold and other investors to participate directly in this established portfolio of high quality strategic investments that have been built up by The Liberty Life Group over the last decade. The proposed offer is significant by virtue of its size and the relative illiqu[illegible]dity and consequent lack of availability on the JSE of the underlying shares co[illegible]tuting Libsil's strategic investments.

3.2 Objectives

The flotation of Libsil will, inter alia:

- — enable shareholders of Liberty Life and Libhold and other investors, institutional and otherwise, to acquire direct exposure to the high quality portfolio constituting Liberty Life's strategic investments;
- — de-gear The Liberty Life Group and balance its holding of major strategic investments;
- — create flexibility with a view to expanding Libsil's portfolio of strategic investments in the future;
- — achieve greater transparency of the nature of Liberty Life's strategic investments for the benefit of shareholders and investors on the JSE in the light of the potential new market in South Africa, particularly for international investors;
- — enable Libsil to utilise its equity for further acquisitions of strategic shareholdings;
- — facilitate the repayment of debt and the redemption of relatively expensive preference shares previously issued by Libsil;
- — release funds for the further development of Liberty Life;
- — enhance the earnings of Liberty Life in the future; and
- — facilitate Liberty Life in protecting the capital value of its core investments by the use of derivative instruments and specialised securities, including options, futures and other appropriate methods, to hedge investment volatility and enhance the performance of Libsil's portfolio.

3.3 Structure of share capital

The authorised share capital of Libsil comprises 800 million ordinary shares of 1 cent each and 55 000 redeemable cumulative preference shares of R1 each. After the successful completion of the proposed offer, Liberty Life will hold approximately 80% of Libsil's issued ordinary share capital, which will consist of around 560 million ordinary shares. Libsil has total assets of almost R5,6 billion with a net asset value of about 1 000 cents per ordinary share as at 21 July 1993.

4. NATURE OF BUSINESS OF LIBSIL

4.1 Nature of investments

Set out below is a summary of the underlying investments constituting Libsil's portfolio:

	Number of shares held	% of share capital	Market value (as at 21 July 1993) (Rm)	% of Libsil's portfolio
Standard Bank Investment Corporation Limited	28 303 298	23,8%	2 547,3	45,6%
Direct and indirect interest in The South African Breweries Limited			1 702,0	30,5%
Beverage and Consumer Industry Holdings Limited	19 360 000	27,3%	1 558,5	27,9%
The South African Breweries Limited	2 342 888	0,9%	143,5	2,6%
The Premier Group Limited	19 360 000	23,4%	997,0	17,9%
GFSA Holdings Limited	555 819	4,6%	217,3	3,9%
Other investments, derivatives, bank deposits and money market instruments*			117,5	2,1%
			5 581,1	100,0%

*Includes preference shares convertible into approximately 515 000 shares in Standard Bank Investment Corporation Limited.

4.2 Strategic investments

The major investments of Libsil form the core of The Liberty Life Group's strategic equity investment holdings:

4.2.1 The Liberty Life Group owns in aggregate 38,7% of Standard Bank Investment Corporation Limited's ("SBIC") share capital, thereby constituting it as the largest shareholder in SBIC.

As part of The Liberty Life Group's aggregate holdings, Libsil's 23,8% interest in SBIC, having a market value of R2,5 billion based on a market price of 9 000 cents per share, constitutes Libsil as the largest and most significant shareholder in SBIC within The Liberty Life Group. SBIC is the holding company of The Standard Bank of South Africa Limited, the leading commercial bank in South Africa. The SBIC group's activities include commercial and merchant banking, leasing and financing activities, unit trust management, participation mortgage and housing finance, life insurance and non-life insurance broking, credit card facilities and trust company services. SBIC operates in the United Kingdom, Jersey, the Isle of Man and Taiwan and its representation in Africa was expanded in 1992 when it acquired the Africa banking arm of ANZ Grindlays bank.

SBIC also owns 50% of, and together with Liberty Investors Limited has joint control of LCC, the ultimate holding company of The Liberty Life Group. The value of this investment, at the market value of SBIC's attributable interest in Libhold of 11,9 million shares was R2,06 billion as at 21 July 1993, equivalent to 19% of the market capitalisation of SBIC on the JSE at such date, implying an indirect interest attributable to Libsil of approximately R500 million in the equity of Libhold.

4.2.2 The Liberty Life Group shares joint control of Beverage and Consumer Industry Holdings Limited ("Bevcon") pursuant to an agreement with Johannesburg Consolidated Investment Company, Limited ("JCI") and Anglo American Corporation of South Africa Limited ("Anglo American"). Bevcon, in which The Liberty Life Group has a 34,1% interest, is the largest shareholder in The South African Breweries Limited ("SAB"), owning 34,3% of its issued ordinary share capital.

Libsil's portion of The Liberty Life Group's interest in Bevcon amounts to a 27,3% holding in Bevcon having a market value of R1,6 billion based on a market price of 8 050 cents per share. SAB is South Africa's largest consumer-orientated group. Its major activity is the brewing of clear beer in which it dominates the South African market. SAB also has significant interests in the manufacture and distribution of other beverages, in retailing and hotel operations and in the manufacture of selected mass market consumer goods, together with strategic investments in other businesses which complement its mainstream interests.

In addition, The Liberty Life Group also has a 5,5% direct holding in SAB, which includes Libsil's 0,9% direct interest in SAB, having a market value of R144 million based on a market price of 6 125 cents per share.

4.2.3 The Liberty Life Group has in aggregate a 28,7% shareholding in The Premier Group Limited ("Premier"). Similar joint control arrangements to those relating to Bevcon exist with Anglo American and JCI in respect of Premier. Libsil's 23,4% interest in Premier, having a market value of R997 million based on a market price of 5 150 cents per share enjoys the benefit of forming part of this larger strategic holding. Premier is the holding company of one of South Africa's largest food and pharmaceutical manufacturers and distributors. Premier's activities comprise the milling of maize and wheat, the manufacture and distribution of food products, edible oils and fats, marine products, animal feeds, pharmaceuticals and industrial chemicals, cotton ginning and the wholesale and retail distribution of groceries, toiletries and allied products.

4.2.4 The Liberty Life Group has a 20,0% interest in GFSA Holdings Limited ("GFSA Holdings"), an unlisted company which holds 42,6% of the issued share capital of Gold Fields of South Africa Limited ("GFSA"). Libsil's portion of The Liberty Life Group's shareholding amounts to 4,6% of GFSA Holdings and has a value of R217 million based on the attributable underlying market value of GFSA at 10 500 cents per ordinary share. GFSA is a leading South African mining finance house involved in the mining and processing of gold and other precious metals and minerals.

4.3 Nature of joint control arrangements in respect of Bevcon and Premier

The joint control arrangements in respect of Bevcon and Premier include certain provisions which aim to ensure that, on a disposal by either The Liberty Life Group or The Anglo American/JCI Group of their joint controlling strategic shareholdings in such companies, such group receives a fair commercial price reflecting the significance of the joint controlling shareholding (viz 25,05% of the equity of each of Bevcon and Premier respectively dedicated by each group).

In essence:

- — if either group intends to sell its shareholding in Bevcon or Premier, it must first offer it to the other group at a stipulated price;
- — failing acceptance by the other group to acquire the shareholding at the stipulated price, the offeror shall be entitled, in turn, to offer to acquire the other group's shareholding at the stipulated price;
- — the offeree must either accept that offer and sell its shareholding at the stipulated price or purchase the offeror's shareholding at that price.

The terms of the joint control arrangements provide that the price to be stipulated by the initiating group must be 25% over the market price, calculated over a specified period not exceeding six months. Libsil is a member of The Liberty Life Group for the purpose of the joint control arrangements.

4.4 Strategic value of Libsil's portfolio

Although the value of the investments owned by Libsil, as set out in 4.1, is based on the market value of such holdings on the JSE, Libsil's net asset value does not reflect for this purpose the special value or strategic importance of such investments generally or in the light of the joint control arrangements described in 4.3.

4.5 Historical performance of Libsil's investments

Libsil's historical performance has been calculated on the basis that its portfolio as currently constituted has existed for the period 1 January 1990 to 21 July 1993.

Given the nature of the underlying investments of Libsil, its performance is best assessed relative to the JSE Actuaries Financial and Industrial Index. For the period 1 January 1990 to 21 July 1993, Libsil's portfolio of equity investments has outperformed this index by 47%.

Over the same period, Libsil's compound capital growth rate based on the market value of its investments was 30% per annum, compared to the average inflation rate of 13,8% and the annual compound growth rate in the JSE Actuaries All Share Index of 9% for the same period.

4.6 Investment policy

It is the intention of Liberty Life to develop Libsil's investment portfolio where appropriate, through the organic growth of its existing investments, additional acquisitions of such investments and through further opportunities which might arise for it to participate in new strategic investments which are taken up by The Liberty Life Group as a whole on similar principles to those which have been and are now applicable, whereby the requirements of the policyholders of Liberty Life in appropriate circumstances are first satisfied.

As in the past, it is the intention that Libsil will, when appropriate, continue to hold and acquire, together with other members of The Liberty Life Group, strategic interests in leading companies. It is further the intention that Libsil will participate in the benefits of any special arrangements entered into by The Liberty Life Group in making strategic acquisitions.

The performance of long term South African investment portfolios is not immune to the effects of international and local volatility within the equity, property, and commodity markets. Liberty Life intends applying its expertise, where appropriate, in the use of derivative instruments, such as options, futures and other appropriate methods, to hedge investment risk and enhance the performance of Libsil's portfolio.

4.7 Management services

Libsil's operating expenses are expected to be minimal as Liberty Life will continue to perform the management and investment function of Libsil and will not be charging a management fee for this service for so long as Libsil remains a subsidiary of Liberty Life.

4.8 Dividend policy and financial year end

Libsil's dividend policy will be, in so far as it is practically possible, to distribute to its shareholders substantially all net income received after providing for operating expenses.

The financial year end of Libsil is 31 December and dividends will normally be declared by Libsil in March (final) and August (interim) each year payable in the succeeding April and October respectively following such declarations. The first dividend payable by Libsil will be declared in March 1994, payable in April 1994, in respect of the period ending 31 December 1993 and will take into account all net income accruing to Libsil after 1 September 1993.

5. EXCESS APPLICATIONS

In terms of the proposed offer, shareholders in Liberty Life and Libhold and/or their renouncees who take up their rights to purchase offer shares will be entitled to apply for an unlimited number of additional Libsil shares in excess of their rights entitlements at 1 000 cents per share, being the approximate net asset value per Libsil share at 21 July 1993. In effect, such additional shares applied for will be issued at a price per share which is 100 cents in excess of the offer price. Such applications will be satisfied to the extent that the offer is not taken up by shareholders of Liberty Life and Libhold or their renouncees.

6. APPLICATION FOR LISTING

Application will be made to the JSE for a listing of the 114,57 million renounceable (nil paid) letters of allocation to be issued pursuant to the offer in the "Financial — Insurance" sector of the JSE lists and for a listing of Libsil's shares in the "Industrial — Industrial Holdings" sector of the JSE lists under the name "Libsil".

7. NOTICE OF LAST DAY TO REGISTER

The last day for shareholders of Liberty Life and Libhold to register as such in order to participate in the offer will be the close of business on Friday, 6 August 1993.

On behalf of

Liberty Life Association of Africa Limited

Liberty Holdings Limited

Liblife Strategic Investments Limited

Donald Gordon
Chairman

22 July 1993
Johannesburg

MERCHANT BANK

SMB
The Merchant Bankers
(Registration number 64/08586/06)

ATTORNEYS

South Africa
Edward Nathan & Friedland Inc.
(Registration number 77/00525/21)

United Kingdom
Linklaters & Paines

SPONSORING BROKERS

South Africa
Davis Borkum Hare & Co Inc.
(Registration number 72/09126/21)
(Member of The Johannesburg Stock Exchange)

United Kingdom
S. G. Warburg Securities Ltd.

TRANSFER SECRETARIES

South African Transfer Secretaries of Liberty Life, Libhold and Libsil
Central Registrars Limited
(Registration number 67/04220/06)
4th Floor, 154 Market Street, Johannesburg, 2001

United Kingdom Transfer Secretaries of Liberty Life
Barclays Registrars Limited
Bourne House, 34 Beckenham Road, Beckenham
Kent, BR3 4TU

INCE

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

GERMANY (continued)

ITALY

NETHERLANDS (continued)

NORWAY

SPAIN

SWEDEN

SWEDEN (continued)

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

MALAYSIA

SINGAPORE

CANADA

TORONTO

4 pm close July 23

MONTREAL

4 pm close July 23

Total Sales 8,061,881 shares

INDICES

NEW YORK

DOW JONES	July 23	July 22	July 21	July 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3546.74	3525.22	3555.40	3544.78	3555.40 (21/7)	3241.95 (20/1)	3555.40 (21/7/93)	41.22 (2/7/32)
Home Bonds	107.48	107.82	107.68	107.46	107.82 (22/7)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1592.45	1575.59	1573.21	1563.94	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	247.10	246.84	246.84	245.85	247.68 (16/4)	277.14 (8/1)	247.68 (16/4/93)	10.58 (8/4/32)

DJ Ind. Day's High 3559.37 (3568.88) Low 3508.17 (3514.32) (Theoretical)♦
Day's High 3548.42 (3555.40) Low 3524.38 (3521.59) (Actual)♦

STANDARD AND POOR'S

	July 23	July 22	July 21	July 20	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.10	444.51	447.18	447.31	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials♥	507.48	504.36	507.61	507.91	524.99 (10/3)	496.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	45.50	45.13	45.54	45.52	46.67 (13/4)	39.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	247.46	246.25	247.60	247.71	251.36 (10/3)	238.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	432.05	431.36	433.31	433.79	440.95 (4/6)	395.84 (8/1)	440.95 (4/6/93)	29.31 (9/12/72)
NASDAQ Composite	700.24	695.52	700.08	701.90	712.49 (14/7)	645.87 (26/4)	712.49 (14/7/93)	54.87 (31/10/72)

	July 16	July 9	July 2	year ago (approx.)
Dow Industrial Div. Yield	2.95	2.93	2.96	3.13

	Jul 21	Jul 14	July 7	year ago (approx.)
S & P Industrial div. yield	2.55	2.52	2.56	2.68
S & P Ind. P/E ratio	25.09	25.37	24.89	28.50

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Telefonos	4,855,000	48⅛	+ 2⅞
USX US	3,504,200	38⅝	—
Progressive	3,316,100	37	- ¼
Chase Manhattan	2,782,200	32	—
IBM	2,488,100	42¼	- 1⅛
Blockbuster	2,321,600	24¼	+ ⅛
Utd Meridian	2,123,300	17	—
Country Mtg	2,068,100	7⅞	- ⅛
Walt Disney	1,810,900	38¼	+ 1⅛
Liz Claiborn	1,763,400	20⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	July 23	July 22	July 21
New York SE	218.065	248.085	253.308
Amex	14.730	17.808	17.751
NASDAQ	(u)	256.823	255.931
NYSE			
Issues Traded	2,580	2,579	2,581
Rises	1,023	769	904
Falls	873	1,207	1,053
Unchanged	684	603	624
New Highs	50	69	83
New Lows	39	43	37

CANADA

TORONTO	July 23	July 22	July 21	July 20	1993 HIGH	1993 LOW
Metals & Minerals	2854.82	2838.87	2847.75	2850.56	3020.48 (2/7)	2743.31 (21/1)
Composite	3830.20	3838.50	3857.38	3876.14	3937.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1820.98	1820.96	1838.01	1850.70	1938.10 (25/6)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	July 23	July 22	July 21	July 20	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1808.8	1802.8	1818.5	1808.1	1818.50 (21/7)	1495.00 (13/1)
All Mining (1/1/80)	826.4	826.8	843.5	841.5	858.70 (12/7)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	376.94	371.46	367.20	364.20	376.94 (23/7)	300.26 (14/1)
Traded Index (2/1/91)	936.90	923.25	912.67	903.96	936.90 (23/7)	772.86 (19/1)
BELGIUM						
BEL20 (1/1/91)	1307.02	1301.65	(c)	1313.21	1331.59 (15/7)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	310.02	310.97	311.68	312.40	314.95 (30/6)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1225.2	1240.7	1259.4	1258.1	1259.40 (21/7)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	541.68	536.92	540.06	543.16	547.37 (30/3)	471.24 (19/1)
CAC 40 (31/12/87)	1995.04	1985.72	1947.53	1968.44	2035.91 (30/3)	1772.21 (20/1)
GERMANY						
FAZ Aktien (31/12/58)	709.18	707.24	705.83	710.62	710.52 (20/7)	598.92 (14/1)
Commerzbank (1/12/53)	2017.1	2011.6	2008.6	2024.4	2024.40 (20/7)	1694.30 (14/1)
DAX (30/12/87)	1836.83	1822.52	1823.61	1836.89	1838.99 (20/7)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6750.33	6760.02	6839.98	6848.81	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1819.47	1828.70	1827.88	1839.62	1839.76 (15/7)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	560.17	562.57	558.37	561.74	561.74 (20/7)	446.33 (8/1)
MIB Generali (4/1/93)	1213.0	1218.0	1231.0	1238.0	1238.00 (20/7)	982.00 (11/1)
JAPAN						
Nikkei (16/5/49)	19734.67	20116.81	20060.91	20038.00	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1609.33	1634.20	1636.32	1634.68	1678.13 (3/6)	1250.06 (25/1)
2nd Section (4/1/68)	2207.87	2222.07	2225.25	2240.56	2384.97 (7/6)	1861.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	757.65	760.76	761.60	745.90	761.60 (21/7)	614.28 (13/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	352.1	351.3	348.1	349.7	354.30 (12/7)	295.70 (4/1)
CBS All Shr (End 1983)	231.1	230.5	228.4	229.5	232.50 (12/7)	196.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	847.44	847.48	849.43	851.92	866.96 (14/7)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1707.86	1706.95	1681.86	1650.77	1707.86 (23/7)	1270.86 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	450.21	448.42	451.19	446.26	468.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1883.0♥	1812.0	1861.0	1875.0	2092.00 (7/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4527.0♥	4546.0	4598.0	4578.0	4719.00 (8/7)	4333.00 (18/6)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	741.81	746.56	751.04	749.88	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	260.40	258.99	258.21	258.11	264.92 (22/6)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1154.5	1145.7	1142.4	1155.7	1155.70 (20/7)	879.10 (29/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1028.2	1020.2	1002.4	1009.0	1040.60 (13/7)	904.80 (11/1)
SBC General (1/4/87)	809.4	807.4	793.8	798.9	827.90 (13/7)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4027.58	3932.15	3906.97	3907.84	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	894.07	897.44	894.55	881.22	906.44 (25/1)	818.94 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	565.3*	566.6	566.6	566.8	576.30 (3/6)	483.60 (13/1)
Euro Top-100 (26/6/90)	1035.89	1031.47	1023.32	1032.09	1037.61 (19/7)	882.73 (13/1)

**Saturday July 17: Taiwan Weighted Price; 3818.49, Korea Comp Ex. (c)
♥ Subject to official recalculation. † Correction.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks
Friday, July 23, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	4.8m	19		Nippon Steel	1.9m	366	-3
Sumitomo Mtl Min	3.8m	1,030	-10	Matsushita E Ind	1.9m	1,320	
NEC Corp	2.4m	968	-24	Nippon Kayaku	1.9m	869	+1
Hitachi	2.2m	828	-20	Kyocera Corp	1.6m	6,250	-110
Shizuoka Bank	2.2m	1,440	-10	Sharp Corp	1.5m	1,360	-20

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
91 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
AIB Grofund American	5	152.5	154.1	162.7	0.00	4091
AIB Grofund Equity	5	202.6	205.6	217.0	1.73	4090
AIB Grofund Euro	5	165.0	166.8	175.5	0.14	4094
AIB Grofund Extra Balanced	3	100.5	102.3	105.6	2.28	4093
AIB Grofund Gilt	3	79.23	79.26	81.70	4.98	4095
AIB Grofund Japan	5	174.6	176.2	185.5	0.00	4096

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
General Inc	5	420.2	421.8	448.8	2.50	4101
General Acc	5	461.0	462.7	492.3	2.50	4126
UK Growth Acc	6	306.2	310.2	330.1	2.79	4102
UK Growth Inc	6	217.0	219.8	234.0	2.79	4103
Higher Inc Acc	6	565.6	573.8	610.5	3.76	4104
Higher Inc Inc	6	343.6	348.7	371.0	3.76	4105
Gilt/Fxd Int Acc	5½	178.8	178.8	189.8	8.06	4106
Gilt/Fxd Int Inc	5½	93.89	93.89	99.95	8.06	4107
Nth America	6	243.1	245.9	261.6	0.00	4108
Far East	6	298.6	298.6	317.7	0.34	4109
Europe	6	223.3	225.1	239.6	0.97	4110
Brit Excell	6	62.46	62.56	66.56	2.83	4462
Brit Fndatin Acc	6	87.82	88.06	93.69	4.71	4463
Brit Fndatin Inc	6	67.35	68.32	72.69	4.71	4464
Global Opps	6	72.23	72.23	76.84	0.18	4480
Balanced Acc	6	47.02	47.80	50.84	2.76	4603
Balanced Inc	6	47.02	47.80	50.84	2.76	4646

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Gilts & Fixed Int	6	131.7	131.7	139.6	6.73	4001
High Inc Equity	6	148.0	148.6xd	158.0	4.98	4002
Worldwide Bond	6	267.6	267.6	283.8	3.70	4003
American Growth	6	284.5	284.5	304.3	.05	4004
Asian Pacific	6	231.8	236.8	251.6	.39	4005
Assets & Earnings	6	221.9	221.9xd	237.3	2.21	4006
Capital Reserve Acc	0	128.7	128.7	128.8	4.80	4007
Commdty & Energy	6	88.19	88.19	94.32	.59	4008
1992 Enterprise	6	80.16	80.16	85.73	1.94	4027
Euro Capital Acc	6	110.1	110.1	117.7	.88	4009
Euro Capital Inc	6	103.5	103.5	110.8	.88	4761
General	6	198.7	202.2	215.1	2.53	4010
Japan	6	124.3	124.3	132.9	–	4011

Brown Shipley UT Mngrs (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412282

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Mngd P'folio Inc	6	93.74	93.74	99.83	1.09	4045
Mngd P'folio Acc	6	177.2	177.2	188.7	–	4047
UK General	6	156.1	156.1	167.0	2.61	4046
European Inc	6	21.78	21.78	23.44	0.48	4091
European Acc	6	22.49	22.49	24.21	–	4092
Financial	6	130.3	130.3	138.8	3.02	4064
Foundation	6	75.59	77.67	82.72	3.22	4034
German	6	42.19	42.19	45.24	0.00	4015
Growth Inc †(5-1)	5	27.52	27.52	29.41	2.90	4103
Growth Acc †(5-1)	5	32.48	32.48	34.71	–	4028
High Income	6	71.75	71.75xd	77.13	8.79	4046
Income	6	127.3	129.5	138.5	3.97	4167
Intl Income	6	94.05	94.05xd	100.2	4.87	4030
Intl Growth ♣	6	34.80	34.80	36.86	0.21	4086
Monthly Income	6	72.19	74.04	79.22	4.04	4012
North American	6	104.7	104.7	111.5	0.20	4048
Orient ♣	6	132.8	132.8	142.8	–	4200
Recovery	6	40.39	42.01	45.16	2.48	4031
Smaller Cos Acc	6	291.8	306.6	328.3	–	4032
Smaller Cos Inc	6	169.7	178.5	191.0	1.13	4033

Brycourt Unit Tst Mngmt Ltd (1400)F
Harbutts Hse, Portman Sq, W1H 0LR 071-935 8382

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Income Growth	1	187.2	187.2	192.1	4.03	4094

For Buckmaster see Credit Suisse

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Short Dated Gilt	1¼	66.87	66.87	67.78	5.73	[illegible]

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061-837 5060

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Environ	6	130.7	133.7xd	142.3	1.85	[illegible]
UK Growth	6	143.8	145.8	154.9	2.34	4785
UK Income	6	122.5	123.8	131.9	4.27	4786

For CS Fund Mngrs see City Financial UT

Canada Life Unit Tst Mngrs Ltd (1200)F
High St, Potters Bar, Herts, EN6 5BA 0707 651122

	Init Charge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Can Gen Dist	6	169.4	168.2xd	179.1	2.04	4022
Do Gen Accum	6	305.7	310.3	330.0	2.04	4026
Do Income Dist	6	100.6	103.0	109.2	4.66	4027
Do Inc Accum	6	288.1	292.4	310.0	4.66	4028
Gilt & Fxd Int	6	41.76	41.61	44.31	8.27	4025

Cannon Lincoln Fd Mngrs Ltd (1200)H

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (·) - 1101 to 1400 hours; (·) - 1401 to 1700 hours; (·) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

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Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
European Trust	6	51.74	61.88	65.19	1.16	[illegible]
Far Eastern Tst	6	83.10	83.98xd	88.07	0.17	[illegible]
Smaller Cos	5	155.2	155.2xd	165.0	1.55	[illegible]

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
S & W American	5	284.8	285.2	280.8	0.73	[illegible]
S & W Capital	5	117.9	117.9	126.5	1.74	[illegible]
S & W Cash	0	101.48	101.48	101.48	5.35	[illegible]
S & W European	5	112.1	112.1	118.8	1.03	[illegible]
S & W Far Eastern	5	149.0	150.3	159.0	0.00	[illegible]
S & W Growth	5	123.8	125.5	132.8	1.84	[illegible]
S & W Income	5	115.4	116.5	123.3	4.88	[illegible]
S & W Magnum	5	122.7	122.7xd	131.7	1.67	[illegible]
S & W Smlr Secs	5	319.8	327.1	348.1	0.43	[illegible]
S & W Thoroughbred	5	144.2	144.2xd	154.8	1.50	[illegible]

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Cash	1	49.88	49.88	50.38	5.2	[illegible]
Gold Prince	5½	58.61	58.90	60.69	7.8	[illegible]
Ethical	5½	52.00	52.95	56.32	1.8	[illegible]
European Growth	5½	58.56	58.94xd	62.86	2.9	[illegible]
Income	5½	52.43	52.88	56.40	5.7	[illegible]
Intl Growth	5½	80.78	81.29	86.70	2.9	[illegible]
Managed	5½	69.12	69.87xd	74.52	3.6	[illegible]
UK Growth	5½	55.97	56.56	60.35	4.5	[illegible]

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Managed Acc	5¼	43.65	43.65	46.38	1.66	[illegible]
UK Equity Gth Acc	5¼	58.54	59.57	63.30	1.54	[illegible]
UK Eq High Inc Inc	5¼	35.38	35.38	37.60	3.93	[illegible]
UK Eq High Inc Acc	5¼	42.02	42.02	44.65	3.93	[illegible]
UK Equity Gen Acc	5¼	53.93	54.06	57.46	2.30	[illegible]
UK Equity Gen Inc	5¼	40.20	40.95	43.51	2.30	[illegible]
UK Larger Cos Acc	F 7½	384.0	388.8	400.2	3.81	[illegible]
UK Larger Cos Inc	F 7½	279.8	283.3	307.4	3.81	[illegible]
Gilt & Fxd Int Inc	5¼	31.31	31.38	33.20	8.28	[illegible]
Emerg Mkt Cos Acc	F 7½	276.5	281.3	305.3	1.45	[illegible]
Nth American Acc	5¼	42.30	42.55	45.21	1.00	[illegible]
Far East Acc	5¼	56.18	56.18	59.70	0.18	[illegible]
European Acc	5¼	41.19	41.19	43.77	1.11	[illegible]

State Street Unit Trust Mngmt Ltd (1400)F
28 King Street, London SW1 6QW 071-344 7000

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Am Exempt	$808.10	817.22	1.58	40456
Gen Exempt	£152.08	156.25	3.30	40457
Jap Exempt	$619.01	630.31	1.04	40458
Pacific Exempt	£151.12	154.88	1.69	46889
Contl Euro Exempt	£119.06	122.41	2.35	47074

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Balanced Acc Jul 20	185.8	193.3	3.38	43441
Balanced Inc Jul 20	182.6	189.7	3.38	43443
Latin American Acc Jul 21	107.0	108.2	1.50	43444

Funds in Court*

	Bid Price	Offer Price	Yield Gross	City-Line
Capital Jul 23	548.36	550.47	3.76	40505
Gross Jul 23	206.64	207.19	10.15	40506
High Yield Jul 23	338.25	340.65	7.64	40507

* Restricted to monies under Court control

Gowett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Managed Exempt	108.91	112.76	3.60	43448

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Pensions Mngd	81.60	83.12	2.64	40676

Lazard Brothers & Co. Ltd

	Bid Price	Offer Price	Yield Gross	City-Line
Property Jul 12	£2025.0	2225.0	7.00	40777
Inc Gth Prp Jul 12	£1440.0	1600.0	8.90	40778

Lazard Investors Ltd ‡

INSURANCES

OTHER UK UNIT TRUSTS

حكمة أمنة للأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices: dial (0891 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 36p/minute cheap rate and 48p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4378.

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GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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Hill Samuel Fund Mgrs - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Intnl. Bond Fund						
Sterling Managed	3½	£11.73	11.73xd	12.28	7.66	4565
US Dollar Managed	3½	$13.64	13.64xd	14.28	5.35	4566
International Currency Fund						
Sterling Managed	3½	£32.68	32.68	33.84	-	4567
US Dollar Managed	3½	$31.36	31.38	32.49	-	4568
Sterling	0	£28.63	28.63	28.63	4.65	4569
US Dollar	0	$40.15	40.15	40.15	1.79	4570
Deutschmark	0	DM70.42	70.42	70.42	6.16	4571
Japanese Yen	0	Y8151	8151	8151	1.64	4572
Swiss Franc	0	SFr62.68	62.68	62.68	3.60	4573
Irish Punts	0	I£25.63	25.63	25.63	5.45	4652

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 284242

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Lloyds Tst. Gilt	3½	£10.350	10.350xd	10.750	7.44	4563

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Intl Circuit Portfolio	0	£1.2231	1.2231	1.2985	0.10	4167
Gilt	3	£1.0052	1.0052xd	1.0985	7.72	4546

Prudential Fund Managers (Jersey) Ltd
PO Box 103, St Helier, Jersey 0534 70006

Prudential Currency Fd (Formerly Vanbrugh Currency Fd)

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Income (A & B)	5	212.2	212.2	222.9	3.83	4544
Growth (C & D)	5	319.7	318.7	336.7	-	4545

Royal Trust Jsy Fd Mngt Ltd (1400)F
PO Box 428, St Helier, Jersey 0534 27441

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Govt Secs Fd	4	58.03	58.03	58.34	7.84	4574

Banque Scandinave a Luxembourg SA
16 Boulevard Royal, L-2449, Luxembourg

Scandifunds

Scandifund Equity Fund

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
Equity Intl. Acc	5	$-	16.24	17.08	3.17	4766
Equity Global	5	$-	1.45	1.53	-	4742
Equity Natural Res	5	$-	1.09	1.16	-	4803
Equity Japan Acc	5	Y-	108.41	113.84	-	4967
Equity UK	5	£-	1.37	1.45	-	4744
Equity Nordic	5	$-	1.22	1.29	-	4743
Equity North America	5	$-	1.9	2.01	-	4747
Equity Mediterranean	5	$-	0.86	0.91	-	4705
Equity Cont Europe	5	$-	1.44	1.52	-	4745
Scandifund Far East						
Far East Global	5	$-	3.48	3.66	-	4567
Scandifund Bond Fund						
Bond Int. Acc	1	$-	12.33	12.46	6.84	4800
Europe Bond Acc	1	$-	1.52	1.54	7.16	4648
Bond DEM Acc	1	DM-	1.24	1.26	6.64	4576
Bond USD Acc	1	$-	1.42	1.44	6.79	4674
Bond Sweden Acc	1	SKr-	18.58	18.76	10.19	4575
Scandifund International Sicav						
Intl Emerging Markets	5	$-	1.06	1.12	-	-

Barclays Diversified Portfolio
14 rue Aldringen L-1118 352 4799 2839

	Init Chrge	Canc Price	Bid Price	Offer Price	Yield Gr's	City-Line
IPB Deutschmark Reserve		DM-	31.62	-	-	-
IPB Sterling Reserve		£-	10.38	-	-	-
IPB Swiss Franc Reserve		SFr-	30.67	-	-	-
IPB US Dollar Reserve		$-	20.37	-	-	-
IPB European Bond		Ecu-	17.91	-	-	-
IPB North American Bond		$-	21.36	-	-	-

Jupiter Tyndall Global Fund
13 rue Goethe L-1637 Luxembourg

	Init Chrge	Canc Price	Bid Price	Offer Price
China Portfolio		$-	1.29	1.36
China Portfolio		£-	1.98	2.08
Tiger Portfolio		£-	2.37	2.50
Tiger Portfolio		$-	3.56	3.73
European Portfolio		£-	1.32	1.39
European Portfolio		$-	1.97	2.08
Wall Street Portfolio		£-	1.79	1.89
Wall Street Portfolio		$-	2.69	2.83
British Lion P'folio		£-	1.31	1.38
British Lion P'folio		$-	1.96	2.07
International P'folio		£-	1.74	1.84
International P'folio		$-	2.61	2.75
Japan Portfolio		£-	1.37	1.45
Japan Portfolio		$-	2.05	2.17
High Yield P'folio		£-	1.20	1.27
High Yield P'folio		$-	1.80	1.90
Korea Vision Portfolio		£-	1.35	1.43
Korea Vision Portfolio		$-	2.02	2.13
Taiwan Portfolio		£-	1.13	1.20
Taiwan Portfolio		$-	1.71	1.80
UK Small Cos Portfolio		£-	1.09	1.15
UK Small Cos Portfolio		$-	1.63	1.72

Kleinwort Benson Japanese Warrant Fund
14 rue Aldringen Luxembourg

	Init Chrge	Canc Price	Bid Price
NAV		$-	7.249

Kleinwort Benson Select Fund (u)
14 Rue Aldringen L-1118 Luxembourg

	Init Chrge	Canc Price	Bid Price	Offer Price
British		Ecu-	2.77	2.94
Emerging Asia		Ecu-	2.38	2.54
European		Ecu-	2.04	2.16
Japanese		Ecu-	2.17	2.31

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKET FUNDS

FOREIGN EXCHANGE AND MONEY MARKETS

ERM in the balance

EUROPEAN markets will be preoccupied this week by whether the Bundesbank will reduce official German interest rates at Thursday's council meeting, *writes Stephanie Flanders.*

As far as many observers are concerned, the French franc cannot maintain its current position in the European exchange rate mechanism without lower real interest rates, and the mechanism itself cannot survive without the French. Last week's renewed speculative pressure was driven by disappointing German monetary figures, which seemed to lower the chances of a cut in German interest rates on Thursday.

The latest German cost of living figures, due out this week, are unlikely to paint a more optimistic picture for a Bundesbank monetary loosening. But if ERM central banks cannot restrain further speculation in the run-up to the Bundesbank meeting, many argue that the usual rules for predicting German monetary policy may not apply.

Even if German interest rates are lowered slightly on Thursday, some doubt whether this will be enough for a number of beleaguered member countries.

French unemployment figures for June, released on Friday, will be an early focus of attention for dogged anti-franc speculators.

Similarly, Spanish quarterly jobless data, due out during the week, is likely to intensify recent attacks on the peseta, with or without a German interest rate cut.

Once again, events outside the ERM will probably receive less than the usual market attention this week. But it will be hard to ignore some important economic figures coming out of the US.

In particular, tomorrow's consumer confidence index for July and Thursday's advance estimate for second quarter real GDP will test the chairman of the Federal Reserve's optimistic prognosis on the state of the American recovery in his testimony before Congress last week.

£ IN NEW YORK

Jul 23	Close	Previous Close
£ Spot	1.5040-1.5050	1.5130 1.5135
1 month	0.38-0.37pm	0.38 0.37pm
3 months	1.07-1.05pm	1.09 1.07pm
12 months	3.05-2.98pm	3.22 3.13pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jul 23	Previous
8.30 am	81.8	82.1
9.00 am	81.8	82.1
10.00 am	81.8	82.1
11.00 am	81.9	82.2
Noon	81.8	82.1
1.00 pm	81.7	82.1
2.00 pm	81.7	82.2
3.00 pm	81.8	82.4
4.00 pm	81.7	82.2

CURRENCY MOVEMENTS

Jul 23	Bank of England Index	Morgan ** Guaranty Changes %
Sterling	81.7	-27.74
U.S Dollar	65.9	-12.10
Canadian Dollar	94.4	-7.83
Austrian Schilling	113.3	+15.51
Belgian Franc	113.6	+0.27
Danish Krone	116.1	+10.15
D-Mark	122.1	+30.21
Swiss Franc	111.9	+21.92
Dutch Guilder	117.5	+19.71
French Franc	108.7	-8.52
Lira	79.9	-34.90
Yen	183.2	+123.33
Peseta	88.7	-33.72

Morgan Guaranty changes: average 1980-1982=100. Bank of England (Base Average 1985=100) **Rates are for Jul 22

OTHER CURRENCIES

Jul 23	£	$
Argentina	1.4970 - 1.4985	0.9990 - 1.0000
Australia	2.2115 - 2.2135	1.4750 - 1.4760
Brazil	100175 - 100177	66850.5 - 66851.5
Finland	8.7725 - 8.8235	5.8626 - 5.8725
Greece	348.650 - 355.750	232.350 - 237.050
Hong Kong	11.6090 - 11.6155	7.7535 - 7.7545
Iran	2350.00 - 2360.00	1580.00 - 1590.00
Korea(Sth)	1199.85 - 1219.20	805.30 - 811.70
Kuwait	0.45125 - 0.45225	0.30150 - 0.30200
Luxembourg	53.20 - 53.30	35.55 - 35.65
Malaysia	3.8355 - 3.8430	2.5650 - 2.5670
Mexico	4.6755 - 4.6785	3.1200 - 3.1220
N.Zealand	2.7235 - 2.7275	1.8175 - 1.8200
Saudi Ar	5.6100 - 5.6215	3.7495 - 3.7505
Singapore	2.4155 - 2.4215	1.6175 - 1.6185
S.Af (Cm)	5.0055 - 5.0165	3.3475 - 3.3490
S.Af (Fn)	6.7210 - 6.7380	4.4850 - 4.4950
Taiwan	39.70 - 39.85	26.50 - 26.60
U.A.E.	5.4925 - 5.5050	3.6715 - 3.6735

CURRENCY RATES

Jul 23	Bank & rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.921558	0.756846
U.S Dollar	3.00	1.39275	1.14170
Canadian $	4.58	1.78202	1.45833
Austrian Sch	8.25	16.7158	13.6921
Belgian Franc	8.00	49.0910	40.2100
Danish Krone	9.25	9.20636	7.57058
D-Mark	6.75	2.37620	1.94457
Dutch Guilder	6.00	2.67241	2.18830
French Franc	10	8.11625	6.64540
Italian Lira	9.00	2238.81	1825.15
Japanese Yen	2.50	150.696	122.474
Norway Krone	-	10.1699	8.33404
Spanish Peseta	-	188.899	155.758
Swedish Krona	11.60	11.1859	9.18362
Swiss Franc	4.50	2.09261	1.71451
Greek Drach	19	N/A	288.040
Irish Punt	-	N/A	0.805953

& Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jul 22

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	113-24	114-18	113-17	114-12
Dec	112-18	113-10	112-12	113-06
Mar	111-16	112-05	111-12	112-04
Jun	110-16	111-08	110-13	111-05
Sep	109-20	110-04	109-19	110-09
Dec	108-26	109-16	108-21	109-15
Mar	108-03	108-03	108-03	108-24

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Close	High	Low	Prev.
Sep	0.9370	0.9489	0.9320	0.9416
Dec	0.9379	0.9404	0.9350	0.9425
Mar	0.9398	-	-	0.9446
Jun	0.9418	-	-	0.9466

DEUTSCHE MARK (IMM)

POUND SPOT - FORWARD AGAINST THE POUND

Jul 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4945 - 1.5035	1.4965 - 1.4975	0.38-0.36cpm	2.97	1.08-1.03pm	2.79
Canada	1.9100 - 1.9390	1.9190 - 1.9200	0.35-0.27cpm	1.94	0.92-0.78pm	1.77
Netherlands	2.8665 - 2.9065	2.8875 - 2.8975	⅛-¼cdis	-0.78	⅛-⅜dis	-0.35
Belgium	52.80 - 53.50	53.20 - 53.30	8-13cdis	-2.37	20-29dis	-1.84
Denmark	9.8850 - 10.0390	10.0100 - 10.0200	N/A	N/A	N/A	N/A
Ireland	1.0575 - 1.0730	1.0665 - 1.0675	0.05-0.08cdis	-0.73	0.12-0.18dis	-0.56
Germany	2.5470 - 2.5835	2.5700 - 2.5750	¼-⅜pfdis	-1.46	½-¾dis	-0.97
Portugal	256.75 - 258.85	256.20 - 257.20	120-146cdis	-6.43	335-383dis	-5.59
Spain	202.65 - 208.95	204.70 - 205.00	126-175cdis	-8.67	302-395dis	-6.81
Italy	2388.80 - 2426.00	2400.75 - 2401.75	6-10liredis	-4.50	23-26dis	-4.08
Norway	10.9050 - 11.0590	10.9800 - 10.9900	⅛-1½oredis	-0.89	1¼-2⅛dis	-0.71
France	8.7675 - 8.8150	8.7850 - 8.7950	3¼-4⅜cdis	-5.20	5⅞-7½dis	-3.04
Sweden	11.9875 - 12.1775	12.0875 - 12.0975	2⅛-3⅛oredis	-2.73	5⅝-7⅜dis	-2.15
Japan	158.00 - 161.25	159.25 - 160.25	½-⅜ypm	3.29	1⅛-1⅛pm	2.87
Austria	17.89 - 18.17	18.05 - 18.08	1-2⅛grodis	-1.04	2⅛-4dis	-0.68
Switzerland	2.2625 - 2.2675	2.2675 - 2.2775	⅜-¼cpm	1.32	⅞-⅝pm	1.32
Ecu	1.3220 - 1.3310	1.3230 - 1.3240	0.30-0.36cdis	-2.99	0.68-0.73dis	-2.10

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.85-1.80pm. 12 Month 3.05-2.95pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jul 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4945 - 1.5035	1.4965 - 1.4975	0.38-0.36cpm	2.97	1.08-1.03pm	2.79
Ireland†	1.4000 - 1.4105	1.4040 - 1.4050	0.43-0.40cpm	3.55	1.20-1.15pm	3.35
Canada	1.2790 - 1.2815	1.2795 - 1.2805	0.09-0.12cdis	-0.98	0.30-0.36dis	-1.03
Netherlands	1.9240 - 1.9375	1.9320 - 1.9330	0.57-0.62cdis	-3.69	1.53-1.61dis	-3.25
Belgium	35.40 - 35.65	35.55 - 35.65	14.00-16.50cdis	-5.14	38.00-42.00dis	-4.49
Denmark	6.6335 - 6.6940	6.6875 - 6.6925	N/A	N/A	N/A	N/A
Germany	1.7090 - 1.7225	1.7185 - 1.7195	0.58-0.59pfdis	-4.08	1.63-1.65dis	-3.82
Portugal	171.20 - 171.95	171.25 - 171.35	148-163cdis	-10.89	380-430dis	-9.48
Spain	136.60 - 138.00	137.00 - 137.10	125-140cdis	-11.60	315-345dis	-9.63
Italy	1600.80 - 1614.50	1603.75 - 1604.25	9.60-10.10liredis	-7.37	26.20-27.70dis	-6.72
Norway	7.3125 - 7.3546	7.3350 - 7.3400	2.10-2.65oredis	-3.88	6.20-7.00dis	-3.60
France	5.8400 - 5.8825	5.8700 - 5.8750	N/A	N/A	N/A	N/A
Sweden	8.0375 - 8.1100	8.0750 - 8.0800	3.60-4.20oredis	-5.79	9.80-10.60dis	-5.10
Japan	106.40 - 107.40	106.75 - 106.85	par-0.01ydis	-0.06	0.03-0.01pm	0.07
Austria	12.0400 - 12.0870	12.0750 - 12.0800	3.65-3.86grodis	-3.81	9.70-10.60dis	-3.36
Switzerland	1.5070 - 1.5205	1.5175 - 1.5185	0.20-0.23cdis	-1.70	0.53-0.60dis	-1.49
Ecu†	1.1270 - 1.1335	1.1310 - 1.1320	0.57-0.55cpm	5.94	1.43-1.40pm	5.00

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

July 23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.497	2.573	159.8	8.790	2.273	2.893	2401.	1.920	53.25	204.9	1.324
$	0.668	1	1.719	106.7	5.872	1.518	1.933	1604	1.283	35.57	136.9	0.884
DM	0.389	0.582	1	62.11	3.416	0.883	1.124	933.2	0.746	20.70	79.63	0.515
YEN	6.258	9.368	16.10	1000.	55.01	14.22	18.10	15025	12.02	333.2	1282	8.285
F Fr.	1.138	1.703	2.927	181.8	10.	2.586	3.291	2732	2.184	60.58	233.1	1.506
S Fr.	0.440	0.659	1.132	70.30	3.867	1	1.273	1056	0.845	23.43	90.15	0.582
H Fl.	0.346	0.517	0.889	55.24	3.038	0.786	1	829.9	0.664	18.41	70.83	0.458
Lira	0.416	0.623	1.072	66.56	3.661	0.947	1.205	1000.	0.800	22.18	85.34	0.551
C $	0.521	0.780	1.340	83.23	4.578	1.184	1.507	1251	1	27.73	106.7	0.690
B Fr.	1.878	2.811	4.832	300.1	16.51	4.268	5.433	4509	3.606	100.	384.8	2.486
Pta	0.488	0.731	1.256	77.99	4.290	1.109	1.412	1172	0.937	25.99	100.	0.646
Ecu	0.755	1.131	1.943	120.7	6.639	1.717	2.185	1813	1.450	40.22	154.8	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

EURO-CURRENCY INTEREST RATES

Jul 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	6 - 5¾	6 - 5¾	6 - 5⅞	6 - 5⅞	6⅛ - 5⅞	6 - 5⅞
US Dollar	3 - 2⅞	3⅛ - 3	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3¼	3⅞ - 3¾
Can. Dollar	4 - 3⅞	4⅛ - 3⅞	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛	4⅛ - 4⅛
Yen	3¼ - 3⅛	3⅜ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛
Danish Krone	12 - 9	18 - 12	17½ - 12	13¾ - 12¾	10⅜ - 10	8¾ - 8¼
Asian $Sing	3½ - 2½	3½ - 2½	3½ - 2½	4 - 3	4 - 3	4¼ - 3¼
Spanish Peseta	16½ - 14½	17 - 16	16 - 13¾	12⅝ - 12⅜	11¼ - 11	10½ - 10¼
Portuguese Esc	13½ - 12½	16 - 14	14 - 13	13¼ - 12¼	12 - 11	12 - 11

Long term Eurodollars: two years 4⅛-4⅛ per cent; three years 4⅞-4¾ per cent; four years 5¼-5⅛ per cent; five years 5½-5⅞ per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jul 23)	3 months US dollars	6 months US Dollars	
bid 3⅛	offer 3⅛	bid 3⅞	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	3.14	Three year	4.54
Broker loan rate	5	Two month	3.11	Five year	5.26
Fed.funds	3	Three month	3.16	Seven year	5.60
Fed.funds at intervention	-	Six month	3.33	10-year	5.93
		One year	3.63	30-year	6.71
		Two year	4.23		

Jul 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.95-7.10	7.15-7.20	7.10-7.20	7.05-7.15	6.80-6.90	8.25
Paris	10-10⅛	10-11	-	8.50-9.50		6.75
Zurich	4⅝-4⅞	4⅝-4¾	-	4⅞-4⅞	-	-
Amsterdam	7.00-7.12	6.98-7.03	-	6.80-6.88	-	-
Tokyo	3⅞-3⅞	-	-	-	-	-
Milan	-	10⅛-10⅝	-	9½-10⅛	-	-
Brussels	-	8⅞-8⅞	-	8⅞-8⅞	-	-
Dublin	6⅞-6⅞	6⅜-6½	6⅜-6½	6⅞-6⅞	6¼-6⅜	-

LONDON MONEY RATES

LONDON RECENT ISSUES

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

Adam & Company ... 6	Cyprus Popular Bank ... 6	NatWestminster ... 6
Allied Trust Bank ... 6	Duncan Lawrie ... 6	Nykredit Mortgage Bnk 6.5
AIB Bank ... 6	Equatorial Bank plc ... 6	●Rea Brothers ... 6
●Henry Ansbacher ... 6	Exeter Bank Limited ... 7	Roxburghe Bank Ltd ... 6
B & C Merchant Bank ... 13	Financial & Gen Bank ... 7	Royal Bk of Scotland ... 6
Bank of Baroda ... 6	●Robert Fleming & Co ... 6	●Smith & Williman Secs . 6
Banco Bilbao Vizcaya ... 6	Girobank ... 6	Standard Chartered ... 6
Bank of Cyprus ... 6	●Guinness Mahon ... 6	TSB ... 6
Bank of Ireland ... 6	Habib Bank AG Zurich .. 6	●United Bk of Kuwait ... 6
Bank of India ... 6	●Hambros Bank ... 6	Unity Trust Bank Plc ... 6
Bank of Scotland ... 6	Heritable & Gen Inv Bk. 6	Western Trust ... 6
Barclays Bank ... 6	●Hill Samuel ... 6	Whiteaway Laidlaw ... 6
Brit Bk of Mid East ... 6	C. Hoare & Co ... 6	Wimbledon & Sth West. 7
●Brown Shipley ... 6	Hongkong & Shanghai .. 6	Yorkshire Bank ... 6
CL Bank Nederland ... 6	Julian Hodge Bank ... 6	
Citibank NA ... 6	●Leopold Joseph & Sons 6	● Members of British Merchant Banking & Securities Houses Association
City Merchants Bank ... 6	Lloyds Bank ... 6	
Clydesdale Bank ... 6	Meghraj Bank Ltd ... 6	
The Co-operative Bank .. 6	McDonnell Douglas Bk. 6	
Coutts & Co ... 6	Midland Bank ... 6	
Credit Lyonnais ... 6	Mount Banking ... 6	

STOCK INDICES

	July 23	July 22	July 21	July 20	July 19	July 16	1993 High	1993 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2827.7	2820.1	2814.1	2823.9	2842.9	2833.0	2957.3	2737.6	2957.3	986.9
FT-SE Mid 250	3202.9	3200.5	3195.4	3205.0	3211.3	3217.5	3241.7	2878.3	3241.7	1379.4
FT-SE-A 350	1415.4	1412.2	1409.4	1414.2	1422.2	1418.9	1457.1	1348.7	1457.1	664.5
FT-A All-Share	1402.39	1399.44	1396.75	1401.27	1408.73	1405.72	1438.22	1086.13	1438.22	61.92
FT-SE Eurotrack 100	1224.42	1217.14	1212.75	1224.85	1235.43	1234.37	1235.43	1063.02	1235.43	900.45
FT-SE Eurotrack 200	1279.95	1275.93	1266.97	1275.46	1283.54	1281.88	1283.54	1144.79	1283.54	938.82
FT Ordinary	2234.6	2226.3	2220.1	2221.3	2234.3	2218.8	2299.5	2124.7	2299.5	49.4
FT Government Secs.	97.96	97.97	98.03	98.32	98.23	98.31	98.46	93.28	127.40	49.18
FT Fixed Interest	117.02	117.11	117.18	117.13	117.15	116.97	117.18	108.67	117.18	50.53
FT Gold Mines	218.4	210.6	216.1	221.4	224.1	224.5	239.3	60.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for November 1992: 139.7 and for June 1993: 141.0.

OTHER FIXED INTEREST

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% ch'nge	Div gross	Dividends paid	Last xd	City line
Abbott Labs		16⅝xd	-.9	68c	FeMyAuNv	12.7	1503
Allegheny & W	♥	616p	0.5	30c	–	–	–
Amdahl		346p	0.6	5c	NvFeJeAu	31.1	–
Amer Cyanamid		35⅝	-1.7	$1.65	MrJeSeDe	4.3	–
Amer Express		21½xd	1.2	$1.00	FeMyAuNv	5.7	1594
Amer T & T		42⅞xd	-1.0	$1.32	FeMyAuNv	25.6	1597
Ameritech		52	-.2	$3.88	FeMyAuNv	28.3	–
BankAmerica		29⅛xd	-2.1	$1.40	MrJeSeDe	16.6	1744
Bankers NY		50⅝xd	-2.2	$3.12	ApJyOcJa	24.12	1745
Bell Atlantic		38¾	2.0	$2.68	FeMyAuNv	4.7	–
BellSouth		37	-1.5	$2.76	FeMyAuNv	8.4	–
Bethlehem Steel	♥	12⅛xd	-.5	–	MrJeSeDe	6.2	1827
Bowater		1290pxd	-6.9	60c	OcJaApJy	9.3	1884
CPC		27⅞xd	-1.5	$1.36	JaApJyOc	25.6	2263
California Engy		1234p	–	–	–	–	–
Chase Manhattan		21⅝xd	-1.7	$1.20	FeMyAuNv	27.4	2109
Chrysler		28⅛xd	-3.8	60c	ApJyOcJa	15.6	2135
Citicorp		20⅞xd	-.9	–	–	23.10	2141
Colgate-Palm		32⅛xd	-14.6	$1.44	FeMyAuNv	21.7	2184
Cont'l Bank		1669p	1.6	80c	DeMrJeSe	31.5	–
Dana		36⅝xd	1.4	$1.60	MrJeSeDe	26.5	2306
Data General		582p	-7.0	–	–	–	–
Decora Inds	♥	120p	-11.1	–	–	–	–
Dun & Brad		40½	-.8	$2.44	MrJeSeDe	13.2	–
Eaton	h	29⅝	0.4	$1.10	FeMyAuNv	2.2	2410
Echlin		20¼xd	–	70c	JaApJyOc	30.6	3046
FPL		25⅞xd	-.2	$2.48	MrJeSeDe	25.5	–
Ford Motor		34⅛xd	1.6	$1.60	MrJeSeDe	27.4	2615
Gen Elect		65¼xd	-2.1	$2.52	JaApJyOc	3.6	2675
General Host	♥	641p	-4.4	34c	–	13.12	–
Gillette		32¼xd	-10.3	84c	MrJeSeDe	28.4	2695
Hasbro		20⅞	–	24c	FeApJyNv	1.8	–
Heinz		23½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scottish Inv	♣†□	188	-1.5	4.62	Feb Jul	508.3	7.6	3953
Warrants	□	53	-.9	–	–	28.9	–	5083
Scot Mortgage	♣□	194	0.6	4.0	Jul Dec	689.8	24.5	5084
Scot National Inc	♣N□	87	—	7.5	ApJyOcJa	138.9	24.5	3981
Cap	□	23	-4.2	–	–	14.7	–	3880
Stepped Pf		155	0.3	6.08	Sep Mar	49.6	15.2	3982
Zero Div Pf		215½	0.7	–	–	137.6	–	3984
Warrants		2½	—	–	–	0.32	–	3953
Scot Value	†a□	88	1.1	1.8	Jan Jul	42.2	24.5	2708
Sec Alliance	♣†	1488	-.7	38.5	Apr Oct	282.8	1.3	3874
Second Consid.	□	164	0.6	–	–	58.1	–	1070
Second Market	♣s	342	-.6	2.0	May	36.2	19.4	3876
Sec Tst Scot	♣□	80¾	-1.2	3.25	Jul Dec	268.8	10.5	3877
Select Assets	□	140	2.2	1.2	Apr	40.5	1.3	5086
Eq Ind Serl		136	0.7	4.25	JaApJlOc	24.8	9.7	4903
Eq Ind SerII		136	0.7	4.25	JaApJeOc	28.9	9.7	5085
SHIRESCOT	♣aH	132	-1.5	5.25	DeMrJeSe	16.8	24.5	1335
Shires	♣M	281	0.4	18.8	ApJyOcJa	68.3	7.6	4014
11pc Cv Ln '03/04		2130½	2.4	Q11%	Sep Mar	6.53	1.3	4012
Slam Select		128	—	1.6	Sep	18.2	24.8	1387
Warrants		28	—	–	–	6.64	–	1379
Smaller Cos	□	128	0.8	2.8	Apr Oct	21.1	7.6	3898
Warrants		43	2.4	–	–	1.44	–	3898
Sphere Inc	□	25½xd	4.1	3.1	MyAuNvFe	30.9	19.7	4278
Zero Div Pf		89¾	0.6	–	–	95.2	–	5227
Sumit		75	—	1.4	May	5.37	15.3	4132
TR City of Lon	□	137½	-.7	4.75	FeMyAuNv	262.9	19.4	4271
TR Euro Growth	♣□	111	0.9	1.35	Oct	40.3	7.9	4880
Ptg Sub		58	—	1.35	Oct	2.10	7.9	–
TR Far East Inc	♣†□	139½	-.4	4.5	ApJyOcJa	64.9	24.5	4269
Warrants		41½	—	–	–	3.83	–	–
TR High Inc		119	—	8.0	ApJyOcJa	27.5	5.7	2897
Sub		29	—	1.5	Jul	0.84	21.6	2898
TR Pacific	♣□	138	-1.4	0.36	Apr	93.1	15.3	4081
TR Prop	♣□	26¼	-1.9	8.9	Jan Jul	74.2	7.5	4282
TR Smaller	♣□	174	-1.1	3.7	Mar Sep	310.1	1.2	4286
TR Technology	♣□	69xd	0.7	1.75	Aug	30.4	19.7	4282
Units		2380xd	-.2	30.15	Dec Jun	–	19.7	1138
Stepped Pf		131	0.4	6.08	Dec Jun	57.8	24.5	4889

MERCHANT BANKS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		101	0.5	8%	–	June Dec	10.5	–
9¾pc Non-Cum Prf		122	0.8	9¾%	–	Jan Jul	10.5	1421
Close Bros	♣†	360	2.9	9.6	2.3	Apr Oct	15.3	2166
Hambros	♣□	341	-.3	14.0	1.5	Dec Aug	21.6	2812
7½pc Cv Pf		146	—	7½%	–	Apr Oct	15.2	4388
Joseph (L)	♣	358	-.6	18.6	♦	Jan Sep	14.12	3080
Kleinwort Benson	□	408	0.5	18.0	1.6	May Oct	1.3	3162
Rea Bros	♣□	41	—	0.5	1.7	May Oct	29.3	3785
Schroders	♣h	895	3.6	11.0	4.5	Nov Apr	29.3	3935
N/V	h	875	5.4	11.0	4.5	Apr Nov	29.3	3941
Singer & Fried	♣□	66½	-.7	2.6	–	Nov Jun	19.4	4028
Warburg (SG)	♣N□	716	-1.8	18.0	2.1	Jul Dec	7.6	4425
6pc Cv Pf		249	-2.0	6%	–	Mar Sep	1.3	4426
Wintrust	♣	240	—	9.3	♦	Oct Mar	1.3	4524

METALS & METAL FORMING

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ASW	N□	205	2.5	6.0	–	May Nov	15.3	5084
Apollo Metals	†	105	—	3.45	1.6	Jan Jul	7.6	1460
Ash & Lacy	♣	151	-1.3	8.4	1.6	Nov Apr	29.3	1663
Billam (J)		250	-1.1	6.0	4.0	Oct May	29.3	1628
Brit Steel	N□	106	6.4	1.0	–	Aug	5.7	3311
CI	□	23	—	1.0	1.0	Jul Jan	24.5	2138
Castings		198	2.6	4.35	3.3	Jan Aug	7.6	2078
Chamber & Hill		138	—	6.25	2.8	Jul Dec	24.5	2100
Cohen (A)		335	—	6.8	–	Feb Aug	21.6	2181
Cook (Wm)	□	200	0.5	5.8	♦	Jan Oct	16.11	2232
Cooper (F)	‡□	69	4.5	2.8	0.5	Jul Feb	19.4	2236
For Downiebrae see GBE Int'l								
Ferraris	†0	56	-3.4	1.0	3.9	Jan Jul	24.5	4091
Firth (GM)		8	-23.8	–	–	–	2'91	2579
GBE Intl	!	64	—	0.6	–	Jun	–	2370
Garton		92	—	4.0	–	Jul Dec	24.5	2689
Glynwed Intl	□	290	-1.7	11.65	0.9	Jul Dec	24.5	2711
Goodwin		31	3.3	0.66	5.4	Nov	19.10	2725
Johnson & Firth	□	49	-4.9	3.0	1.1	Feb Jul	21.6	3045

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Kenmare	♣□	9	—	–	–	–	–	1453
Meridian Res.		10	-28.6	–	–	–	–	–
Navan Res IE	♣	88	—	–	–	–	–	1185
5pc Ln Notes		86½	—	–	–	–	–	–
Oryx Gold		79⅝	—	–	–	–	–	3886
††Ovoca Res IE		7	27.3	–	–	–	–	1470
RTZ	♣N□	674	0.7	19.5	1.3	Dec Aug	7.6	3880

For Vizcaya see Premier Land under PROPERTIES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless *otherwise indicated.*

Where stocks are denominated in currencies other than sterling, this is *indicated after the name.*

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ *Figures or report awaited*
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to *same degree of regulation as listed securities.*
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # *Price at time of suspension*
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. I Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93 L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Laing 6.4pc Pf (Cnt Cnstrn), Northern Elect (Electy), Crabtree (Eng General), *Ivory & Sime SIS Ord and Cv Annuity, Mediterranean* Fd Wts. (Inv Tsts) and AG Hldgs (Pckg & Paper). Deletions: Trafalgar Hse A (Congirs), EIT and Norsk Data A (Elctrncs) and Helix Res (Mines).

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An international service is available for callers outside the UK, annual subscription £250 stg.
Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

4 pm close July 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
14⅝	11½	AAR Corp	0.48	3	6675	36	13⅝	13⅜	13½	+⅛
28⅞	20	A L Labs A	0.18	0.7	44	281	25⅞	25	25⅛	-⅛
63⅞	54⅝	AMP Inc	1.60	2.6	21	943	61	60⅛	61	+1⅛
72¾	65½	AMR			10	2828	66¼	65½	65⅝	-⅛
2¾	1¾	ARX			15	402	2⅝	2⅜	2½	+⅛
51½	29⅞	ASA	2.00	4.3	30	386	46⅝	45¾	46	-⅜
30¾	22⅝	Abbott Lab	0.68	2.6	16	5712	25⅞	25½	25⅞	+⅜
12⅝	9⅞	Abitibi Pr	0.50	5.1	4	4	9⅞	d9⅞	9⅞	-⅛
14¼	8¼	Acpthcain			235	100	14⅛	14	14⅛	+⅛
32	25½	ACE Ltd	0.40	1.4		162	28½	28¼	28¼	-⅛
12	10¾	ACM Gvt In	0.96	8.2		986	11¾	11½	11¾	
10	9⅛	ACM GvOpp	0.80	8.2		61	9⅞	9¾	9¾	-⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.4		680	9¾	9½	9½	-⅛
11⅝	10½	ACM Gvt Se	0.96	8.4		1428	11⅜	11¼	11⅜	
11⅝	9⅝	ACM Man	1.08	9.5		94	11⅜	11¼	11⅜	+⅛
9⅜	8⅝	ACM Mangd	0.72	7.8		170	9¼	9⅛	9¼	+⅛
12⅜	7¾	Acme Cleve	0.44	3.9	15	54	11½	11⅜	11⅜	-¼
9¼	6½	Acme Elect			259	17	7⅞	7¾	7¾	
24¾	18⅜	Acordia	0.44	1.8	14	45	24	23⅝	23⅞	+⅜
16	10⅜	Acuson			13	210	12⅝	12½	12½	
22¼	19⅝	Adams Expr	0.48	2.4	1	62	20⅜	20¼	20⅝	
68	45½	Ad Micro	3.00	5.5		28	54¾	54½	54⅝	-⅛
32¾	17⅝	Ad Micro P	3.00	12.3	9	2621	24⅜	24⅛	24⅛	-⅛
7¾	5½	Advest Grp	0.16	2.7	10	100	6⅛	6	6	
24¾	17¾	Advo Inc	0.08	0.4	19	99	18⅛	17⅞	18⅛	+¼
49⅜	41⅛	Aegon ADR	2.05	6.7	8	94	44	43½	44	-⅛
58¾	43⅝	Aetna Ll	2.76	4.7	151	2187	u59¼	57⅞	59	+1⅞
14½	11½	Ahl A	0.26	1.8	30	1582	14⅛	14	14⅛	
32¼	26⅛	Aflac	0.40	1.4	15	636	29⅞	29½	29⅝	-⅜
[illegible]										

- A - [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

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NYSE COMPOSITE PRICES

4 pm close July 23

Continued from previous page

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AMEX COMPOSITE PRICES

4 pm close July 23

[illegible]

NASDAQ NATIONAL MARKET

4 pm close July 23

[illegible]

Prices data supplied by Telekurs

[illegible]

FINANCIAL TIMES Monday July 26 1993

MONDAY INTERVIEW

Doctrine of choice and sacrifice

John Gummer, UK environment secretary, talks to **Bronwen Maddox**

'It isn't our planet. We didn't deserve it'

"THE JOB of the environment secretary is to win environmental goals," according to Mr John Gummer. With less than two months in the job, and no easy goals in sight, it is clear that he faces a tough game.

The UK environment secretary's sprawling portfolio includes local government and planning issues as well as "green" questions. Last week provided Mr Gummer with a reminder, if he needed one, that his environmental brief threatens to give him some particularly nasty headaches.

The transport department's decision to widen the M25 motorway around London to 14 lanes on its busiest section, against the vigorous protests of most of Britain's green lobby, showed that conflicts are looming between the environment and other government departments.

The Maastricht turmoil also reflects Britain's ambivalence over European environmental regulation. Britain has called for tougher enforcement of some EC directives. But ministers have also questioned whether water standards are too demanding, and are resisting tightening acid rain targets as much as their European neighbours would like, a move that could saddle Britain once again with the tag "the dirty man of Europe".

More widely, industrialists are questioning whether environmental regulation is a further layer of costs which the UK cannot afford and which could jeopardise recovery.

Environmentalists, who have been sceptical of Mr Gummer's clout within the cabinet, fear that his department will be on the losing side of any ministerial tussles. Pressure groups have also been unsure of how his pronounced views on many subjects – he resigned from the General Synod of the Church of England last year over the issue of admitting women to the priesthood – would translate into environmental policy. They feel he gave few clues to his instincts as agriculture minister: they welcomed his opposition to commercial whaling but felt he kept quiet on farms' pollution of rivers.

Since he took the environment job, Mr Gummer has shown a campaigning enthusiasm and a notion of direct action to match that of the pressure groups. He has promised to plunge into the chilly, brownish seas off Blackpool beach during the Tory party conference in the autumn in response to the European Court of Justice's ruling that the water failed to meet EC standards.

The roots of his environmentalist beliefs have also become clearer. "It isn't our planet," he says: "We didn't deserve it and we've been lucky enough to inherit it." He declines to answer whose planet he thinks it is – his aides say he is scrupulous at not bringing religion into the office – but claims authorship of Mrs Thatcher's now-famous phrase that the present generation has no freehold on the planet, only a "repairing lease".

He believes those obligations entail sacrifices and now admits to "a degree of guilt, fighting battles for preservation of the whales – vast numbers of people who wrote in were doing so because there was no downside for them".

Mr Gummer places himself among those Tories who see conservation as a central part of Conservative philosophy. "These are fundamental views about inheritance, continuity and handing on."

At the top of his environmental priorities is atmospheric pollution, particularly global warming and depletion of the ozone layer, "two things which I have to be a missionary about". He says he thinks "spending money on the reduction of carbon dioxide [implicated in global warming] and sulphur [a cause of acid rain] is more important" than rival claims such as water quality.

Such priorities threaten to bring him into conflict with transport and energy policies. Traffic pollution is one of the most intractable sources of carbon dioxide, while coal-burning power stations generate most of Britain's sulphur emissions.

"It is manifestly obvious that if you go on increasing the number of cars at the rate we are doing between now and the end of the century you are going to put more emission into the air than you can possibly bear," Mr Gummer says.

But while he declines to criticise the M25 decision, he adds: "I am very pleased that the minister of transport made the decision [not to put a new highway through Oxleas Wood]." Asked why he did not air those views publicly, he responds: "If you are a minister you swap the advantage of public statement for the considerable influence of private discussion."

So far, his department's enthusiasm for tighter international sulphur targets to be negotiated in Geneva next month has been reined back by the department of trade and industry, which is anxious to preserve power stations' demand for British coal. However, on nuclear energy, Mr Gummer is likely to win a respite from the battle – the two departments could find themselves in harmony.

A well-known supporter of nuclear power – he backed Sizewell B, which is in his constituency – he says: "There is a very strong environmental case for nuclear power", because it emits no carbon or sulphur.

However, his judicial role in deciding the future of the controversial Thorp plant at Sellafield shields him from having to comment on whether reprocessing adds to the costs of nuclear power. Some in the nuclear industry say privately that the costs of Thorp, if it is given the go-ahead, will diminish the case for nuclear electricity, to be debated in this autumn's nuclear review.

Other lower-profile battles loom: his consultation document last week on sustainable development suggested he would take a hard look at the need for recycling of building materials, an unwelcome move to the construction industry. Environment department officials have tended, urged on by Treasury colleagues, to regard the construction industry as out of bounds while economic recovery is fragile.

In fighting these battles for environment policy, the charge most likely to be thrown at Mr Gummer is the cost of going green. He says he accepts that cleaning up the environment "is tremendously expensive. It may mean that you have to produce things or dispose of your effluent in a more expensive way".

In sentiments unlikely to endear him to industrialists, he adds: "Industry has to realise that from now on 'the polluter pays' principle is becoming the natural way of making law."

Part of his answer to cost concerns is to set priorities for spending more carefully, and in some cases to rethink environmental commitments. He professes considerable sympathy for the case put by Mr Ian Byatt, director-general of Ofwat, the water regulator, that water investment is progressing too fast.

"I don't necessarily want to change the standards although there are some which in retrospect would be the wrong ones," but he questions "the timetable and frontloading" of the industry's spending programmes, which could total £45bn this decade.

He argues, too, that there is an "enormous business in environmental technology". This argument was employed by his predecessor, Mr Michael Howard, and is often used by Conservative politicians to bridge the gap between conservation instincts and a reluctance to hamstring industry. However, many companies are sceptical that they derive any competitive benefits from environmental investment.

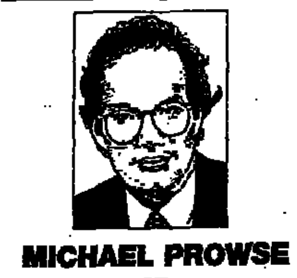
Mr Gummer points to the growth of the water technology industry. He says he gets support for his belief from "even the simplest things" such as the adoption of water-saving devices in urinals: "Now it doesn't flush except when it needs to flush. That's a huge water-saving activity, and many of these machines are made in Britain – it's an important element of what we're doing."

To win the tough battles ahead he needs to convince other departments and industrialists that the environment is a bearable and worthwhile cost. He also needs to convince regulators and environmentalists that not all their aspirations can be met. This can only be done by setting priorities. "I want to use this period when the environment isn't absolutely the top of the agenda to try to get a degree of realism."

PERSONAL FILE

- **1939** Born Stockport, Cheshire. Educated King's School Rochester and Selwyn College Cambridge.
- **1978-92** Member of General Synod of Church of England.
- **1983-84** Minister of state, Department of Employment.
- **1983-85** Chairman of Conservative party.
- **1984-85** Paymaster general.
- **1985-88** Minister of state, Ministry of Agriculture, Fisheries and Food.
- **1988-89** Minister for local government.
- **1989-93** Minister of Agriculture, Fisheries and Food.

Shifting up the economic gears



MICHAEL PROWSE on AMERICA

The US economy is not booming, but it is in much better shape than is generally appreciated. The near-stalling of growth in the first quarter was an aberration, reflecting a confluence of special factors including a plunge in defence outlays, an east coast blizzard and temporary retrenchment by consumers after a spending spree at the end of 1992.

Figures for gross domestic product this week are likely to confirm that the economy expanded at an annual rate of close to 3 per cent in the second quarter. It may do better still in the second half, assuming congressional negotiators quickly reach agreement on a deficit-cutting economic plan, thus putting an end to debilitating uncertainty about future tax rates.

One reason for optimism is the marked improvement in the financial health of banks, businesses and families following the decline in short- and long-term interest rates to the lowest levels in two decades.

According to federal regulators, more than two-thirds of US banks are now "well-capitalised", double the proportion at the end of 1991; only one in 10 is now reckoned to be short of capital. Bank share prices have soared and the sector is earning near-record profits.

Companies and individuals have retired or refinanced large quantities of debt, reducing debt service burdens to the relatively manageable levels of the mid-1980s. By the standards of previous decades, balance sheets are still quite strained, but the economy seems to be wriggling free from the financial vice that stymied growth during most of the Bush presidency.

The inability of Congress and the White House to provide the customary post-recession fiscal stimulus, meanwhile, is proving a blessing in disguise. Most postwar US recoveries have been led by consumer and government spending. This time the corporate sector is making the running. Capital investment is surging following an increase in corporate profits of about 35 per cent since the recession and the most encouraging productivity trends in more than a decade.

Business equipment investment grew at an annual rate of 18 per cent in real terms in the first quarter, after an increase of more than 12 per cent during 1992; another healthy gain seems likely in the second quarter. The sharp fall in computer prices makes the figures slightly suspect: it is hard to believe that the volume of expenditure on computers and related equipment has really doubled since early 1991. But there can be no doubt that corporate America is moving swiftly to reap efficiency gains from advances in information-processing technologies. Other types of capital investment are also strong; even commercial real estate markets are showing signs of stabilising.

And although the conventional measures of consumer confidence are still falling, consumers have returned to the shopping malls. Retail sales grew at an annual rate of about 5 per cent in real terms in the second quarter. The most encouraging sign was a surge in spending on large discretionary items, such as cars and furniture. Vehicle sales have recently been running at an annual rate of about 14.5m units, the highest rate since before the recession.

There are, of course, still plenty of negative forces at work. Under Mr Clinton the contraction of defence industries is accelerating, with serious adverse consequences for many sectors and regions. Ironically, if the administration succeeds in pushing through radical healthcare reform, it may inflict a blow of similar magnitude to the service sector. Healthcare is one of the few parts of the economy where employment has grown steadily in recent years. The weakness of the international economy is an added headache; although exports remain remarkably resilient, they are no longer capable of providing extra lift as in the late 1980s.

And while Mr Clinton's election victory was initially greeted with euphoria, the transfer of executive power from Republicans to Democrats has involved added economic uncertainty. Companies accustomed to the Republicans' broadly free-market approach are having to adjust to a different climate in Washington. They know income and corporate taxes are going up, but not when or by how much. They are also deeply concerned that payroll taxes will rise substantially to finance healthcare reform and, perhaps, new training requirements.

All this has hindered job creation. Employment has only just regained its pre-recession peak, and a quarter of the 2m new jobs created in the past two years are temporary positions – an unheard of proportion during a recovery phase.

On balance, however, the pluses greatly outweigh the minuses. As Mr Alan Greenspan, Federal Reserve chairman, stressed in congressional testimony last week, the global pace of economic change is accelerating. Capital equipment is becoming redundant faster than ever before; in some markets, products that were at the cutting edge of technology five years ago are now unsaleable. In a fast-changing world, America's entrepreneurial spirit and flexible labour markets constitute a powerful comparative advantage. Mr Greenspan used words such as "vibrant" and "dynamic" to describe the type of economy that seems to be emerging from the restructuring chrysalis of the early 1990s. If he was exaggerating, it was only by a whisker.

France's own Euro-sceptics

IAN DAVIDSON on EUROPE

The melodramatic scenes of confusion, ambiguity, double-dealing and uproar, in which the parliamentary ratification of the Maastricht treaty was finally brought to a end in the British House of Commons last week, provided a fitting conclusion to a political process which has been as unedifying as it has been prolonged.

Some people may think that the government's never-ending succession of defeats, retreats and ambiguous victories was just the unfortunate consequence of the weakness of the prime minister and of his paper-thin majority in parliament. Yet this lamentable political spectacle, so far from being an accident, may in fact be an accurate representation of attitudes in the government, in the House and among the people.

In any case, Mr John Major brought on his own head last week's melodramatic dénouement, since he deliberately set up the conditions which maximised the risks both to himself and to the treaty. When he insisted on a special status for Britain outside the social chapter of Maastricht, he made it easy for his opponents to argue that the treaty could be changed after all; he gave them the choice of alternative battlegrounds, on which to form opportunistic alliances against him.

Even now, it is difficult to make out why Mr Major insisted so hard on staying out of the social chapter. He argues vehemently that greater job protection for workers would in fact destroy jobs. But does he seriously expect the other 11 member states to rush ahead with restrictive new employment laws, just at a time when unemployment is so high and still rising?

Is it that he shares that strange traditional British prejudice, that foreigners do not understand economics? Does he assume that their political behaviour is wholly irrational? Or was this just gesture politics addressed to his own backbenchers? Was he opting out of some bits of the Maastricht treaty, any bits, it didn't much matter which, mainly in order to demonstrate a suitable determination to maintain an arm's-length independence from Brussels?

The Maastricht treaty debate has stirred up fierce nationalistic passions, largely inspired by wild phantasms of some kind of mega-state run from Brussels. Instead of dispelling these irrational fears, the government has actually encouraged them by appeasement.

However, the British case needs to be seen in a broader European perspective. France has in recent years always been at the forefront of initiatives to press Europe forward; and opinion polls have showed large and steady majorities in favour of the Community. But even in France the Maastricht treaty stirred up fierce opposition from nationalists. The government only won its popular referendum by the narrowest of margins; and the passionate debates of the parliamentary phase of ratification showed that quite a large minority of Conservative deputies, especially among the Gaullists, were unconditionally hostile to the proposed development of the Community model of Europe.

The anti-Community minority on the Gaullist benches is now much larger, as a result of the Conservative landslide in the March general elections; and it is not clear that the government led by Mr Edouard Balladur is going to be able to keep it under control. On the contrary, the large government majority may well fall apart ahead of next spring's elections to the European Parliament, and it may even split three ways; and there is already intermittent sniping by nationalist Gaullists against the government's economic policy, which is an indirect way of attacking the Maastricht treaty.

The government will almost certainly face a breakaway challenge from former president Valéry Giscard d'Estaing, who seems determined to lead his own UDF party in the European elections next year, since this would give him a dry run for another go at the presidential elections in 1995. It is partly to deflect him that Mr Balladur has offered to head a single Conservative list of candidates; but his other motive is to prevent the ultra-nationalists in the Gaullist party from fielding a separate anti-European list of candidates.

Mr Philippe Séguin, a leading Gaullist nationalist, has already started attacking the government's *franc fort* policy, with its emphasis on low inflation and resulting high interest rates, and has called for "another", more growth-oriented, policy.

Such a change in stance might help reduce unemployment; it would certainly further undermine the Maastricht programme for monetary union. By himself, however, Mr Séguin is probably no more than a nuisance; more worrying for Mr Balladur is that Jacques Chirac, leader of the Gaullists, has ostentatiously failed to denounce Mr Séguin.

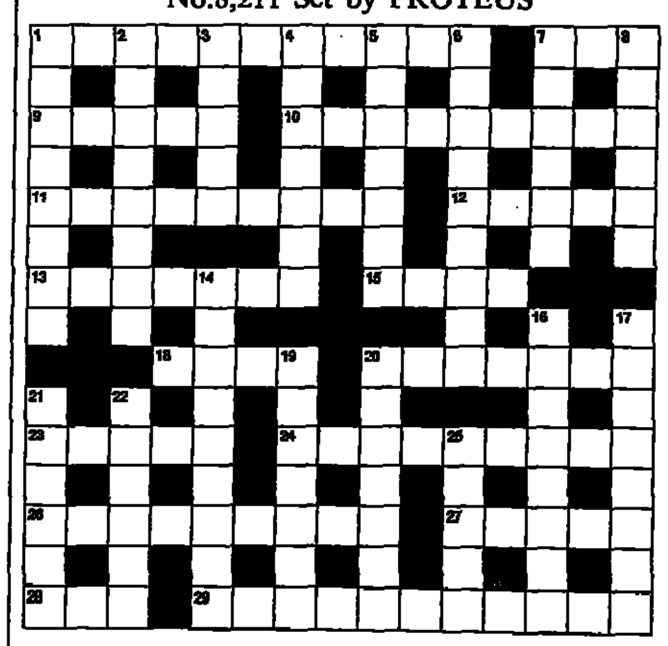
There are two differences between Britain and France. The first is that the Gaullists who opposed Maastricht were more numerous than the British Euro-sceptics, because nationalism is, after all, the dimly remembered ideology that once underlay Gaullism; whereas British Tories would deny anything as coherent as an ideology.

Second, the entire middle ground of the French political and administrative establishment is a whole order of magnitude more pro-Community than their counterparts in Britain. If the franc were blown out of the exchange rate mechanism, it is virtually inconceivable that any French finance minister would boast that it made him sing in the bath; on the contrary, any French government one can imagine would regard it as a major political and European crisis, calling for urgent remedial action at European level.

JOTTER PAD

CROSSWORD

No.8,211 Set by PROTEUS



ACROSS

1 Regularly structured news? (11)
7 Animal found in the wetlands (8)
9 Nothing in cake but card (5)
10 Having flaws and therefore tense (9)
11 Insignificant part played by juvenile? (5,4)
12 Expert in one department (5)
13 Alien visitor backing country with a will (7)
15 Stumble in dance (4)
18 He entertains a lot of people (4)
20 Old policemen taking jackets off? (7)
23 Drink sailor knocked back at dance (5)
24 Shook pill-box in Puck's place (5,4)
26 Original type of Methodist painter (9)
27 Rigid part of kitten's ear (5)
28 General seeking shelter (3)
29 Song that goes on and on apparently (5,3,3)

DOWN

1 Hint from familiar friend (8)
2 Determination shown by company head (8)
3 It goes round in opposite directions (5)
4 "Fatty", said Poe crazily (7)
5 Deeply affected we hear by money advanced (7)
6 King rat in artless tale (9)
7 Number over the French flat (6)
8 Condition of orient, say (6)
14 A party getting fair share of high regard (9)
16 Agreed fresh terms and then gave notice (8)
17 Excited players holding model instrument (8)
19 Splendid icing on the cake? (7)
20 Stick out for proposed scheme (7)
21 Support the Spanish drive forward (6)
22 Arbitrator acceptable to prime movers (6)
25 Makes a tiny bit of material (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday August 7.